

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2010



THE CITY OF
ANDOVER, KS

EST. 1957

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF ANDOVER, KANSAS

FOR THE YEAR ENDED DECEMBER 31, 2010

Ben Lawrence, Mayor
Sheri Geisler, Council Member
Caroline Hale, Council Member
Ray Jessen, Jr., Council Member
Clark Nelson, Council Member
Julie Reams, Council Member
Dave Tingley, Council Member

PREPARED BY ADMINISTRATIVE SERVICES DIRECTOR
DONNA K. DAVIS

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Director of Finance's Letter of Transmittal	1
List of Principal Officials.....	7
Organizational Chart.....	8
Government Finance Officers Association Certificate of Achievement	9

FINANCIAL SECTION

Independent Auditor's Report.....	10
Management's Discussion and Analysis.....	12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities.....	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	25
Reconciliation of Total Governmental Fund Balance To Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities.....	28
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	29
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Street Improvement Fund.....	33
Statement of Net Assets – All Enterprise Funds	34
Statement of Revenues, Expenses and Changes in Fund Net Assets – All Enterprise Funds.....	36
Statement of Cash Flows – All Enterprise Funds	37
Statement of Fiduciary Net Assets – Fiduciary Funds	39
Notes to Financial Statements.....	40
Combining Financial Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis for:	
Special Highway Fund.....	69
Employee Benefits Fund.....	70

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Library Fund	71
Special Building Fund	72
Hotel and Tourism Fund	73
Park Improvement Fund	74
Emergency 911 Fund	75
Street Impact Fee Fund	76
Municipal Golf Course Fund	77
Park Impact Fee Fund	78
Storm Water Utility Fund	79
Festivals Fund	80
Debt Service Fund	81
 Enterprise Funds	
Schedule of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual –	
Budgetary Basis for:	
Water Utility Fund	82
Sewer Utility Fund	83
Recycling/Trash Fund	84
 Combining Statement of Changes in Assets and	
Liabilities – All Agency Funds	85
 Component Unit:	
General Fund Balance Sheet – Andover Public Library	86
Statement of Revenues, Expenditures and Changes in	
Fund Balance – General Fund – Andover Public Library	87

STATISTICAL SECTION

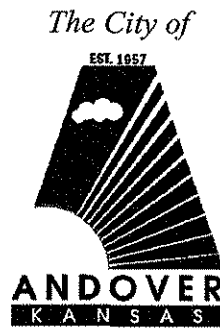
Financial Trends:	
Net Assets by Component	88
Changes in Net Assets	89
Program Revenues by Function/Program	90
Tax Revenues by Source, Governmental Funds	91
Fund Balances of Governmental Funds	92
Changes in Fund Balances of Governmental Funds	93
 Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property	94
Direct and Overlapping Property Tax Rates	95
Principal Property Tax Payers	96
Property Tax Levies and Collections	97
 Debt Capacity:	
Ratios of Outstanding Debt by Type	98
Ratios of General Bonded Debt Outstanding	99
Computation of Direct and Overlapping Debt	100
Legal Debt Margin Information	101
Pledged-Revenue Coverage – Wastewater Revenue Bonds	102

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Demographic and Economic Information:	
Demographic Statistics	103
Principal Employers.....	104
Schedule of Outstanding Industrial Revenue Bonds	105
Operating Information:	
Full-Time Equivalent City Government Employees by Function/Program	107
Operating Indicators by Function/Program	108
Capital Asset Statistics by Function/Program	109
Schedule of Fringe Benefit Cost.....	110
Sick Leave and Vacation Usage	111

INTRODUCTORY SECTION

1609 E. Central Ave.
P.O. Box 295
Andover, Kansas 67002



Phone (316) 733-1303
Fax (316) 733-4634
www.andoverks.com

June 27, 2011

To the Citizens of ANDOVER

The Comprehensive Annual Financial Report of the City of Andover, Kansas for the fiscal year ended December 31, 2010 is submitted herewith. The reports were prepared through the efforts of the Administrative Services Director and the City staff. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's Financial activity have been included.

This Comprehensive Annual Financial Report includes all the funds of the City and its component units. This report has been prepared in conformity with generally accepted accounting principles that are promulgated by the Government Accounting Standards Board and following the guidelines of Governmental Accounting, Auditing, and Financial Reporting.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Andover as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services consisting of highway and streets, wastewater treatment, public improvement, police, fire, recreation and leisure, planning and zoning and general administrative services. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Andover Public Building Commission is reported as a special revenue fund of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Andover Public Library is reported as a discretely presented component unit.

Generally accepted accounting principles require that management provide a narrative introduction overview and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Andover's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

The City of Andover is located in western Butler County, which is in the south central portion of Kansas. Andover's western edge borders the City of Wichita and is 14 miles southwest of El Dorado, the county seat. The City was incorporated in 1957 with a population of 166, and covering less than 1 square mile. In the 50 years since then the population had grown to 11,791 and the city currently covers 10 square miles.

The City of Andover operates under the form of government known as the Mayor-City Council model. Under this model, policy making and legislative authority are vested in a Governing Body consisting of the Mayor, who is a non-voting member, and six other Council members. The six Council members are elected at large, serving four-year staggered terms, with three Council members elected bi-annually. The Council members are responsible, among other things, for adopting ordinances and resolutions, adopting an annual budget, and confirming appointments of certain officials of boards and committees.

The Mayor is also elected at large and is responsible, among other things, to preside over Council meetings, formulate the council agenda, appoint the Municipal Court Judge, City Attorney, City Administrator, City Clerk, City Treasurer and Chief of Police, and to publicly represent the City. The City Administrator is responsible to the Mayor for the administration of all city affairs placed in his or her charge by the Mayor. All City department heads report directly to the City Administrator. The City Administrator works to insure that policies adopted by the governing body are implemented, and to facilitate communication among the Mayor, City Council members, and City staff.

ECONOMIC CONDITIONS AND OUTLOOK

Housing starts in the City of Andover continued to be slow but steady in 2010. For the previous ten-year period a yearly average of 154 new residential building permits were issued. During 2010 there were 63 new residential building permits, and 7 commercial permits. Of the commercial permits one was for a \$1 million strip mall, and another was for a \$.5 million convenience restaurant. The commercial development is looking strong for the next several years. Due to the economic uncertainty, a couple of new housing developments that had been put on hold reentered the housing market in 2010. Families are moving to the smaller communities around the Wichita area for the quiet lifestyle and quality schools.

The Wichita based aircraft industries' economic condition overall continues to face tough times. Due to the proximity to Wichita, this condition has a bearing on the economic condition in Andover. At the end of the year, the average unemployment rate was 6.8% for the state and 7.5% for Butler County, which is an increase of .6% from 2009.

The City has developed an industrial park where our three major industries, International Cold Storage, Vornado Air Circulation Systems, Inc., and Sherwin Williams (fka Pratt & Lambert) as well as other smaller companies have located. These businesses employ approximately 300 people. The Andover Industrial Park has the necessary infrastructure needed to provide

access, water, sewer and fiber optic service for new companies wishing to locate in Andover. The number of small retail and service jobs held steady in 2010.

Based on current projections and activities, the City of Andover anticipates slight economic growth. The Andover Chamber of Commerce and the Convention and Visitors Bureau continue to promote all aspects of the community.

MAJOR INITIATIVES

Parks and Recreation Department

Improvements continue to be made at the City's parks. A large play structure was added to the City's newest donated 5 acre park, Andover Cornerstone Park, with more improvements to follow. A site for yard waste collection was built in Central Park. Improvements to the fencing surrounding the ball diamonds in the 13th Street Sports Park began in 2010 and will continue for the next few years. In an effort to support and encourage recycling, recycle carts have been placed near the ball diamonds and picnic shelters. Construction neared completion on the new City Hall in Central Park.

Street Department

The Street Department sealed 89,074 square yards of streets, and made significant improvements to several arterial streets. Using funds from the City's 1% sales tax road improvement fund Koob Lane was rebuilt. The Andover Road improvement project (which is primarily paid for with funds from the American Recovery & Reinvestment Act) between US Highway 54 and Harry Street was completed. Major projects this past year included improvements to gravel roads, ditch work, sidewalks and curb repairs, and the inventory of the City's 2,075 street signs.

Wastewater Department

Approximately 279,890,000 gallons of raw sewage were treated. Nearly 3,384,356 gallons of treated sludge were spread on City owned agricultural fields using a sludge sprinkler system. 75,975,315 gallons of treated wastewater effluent were sold to Flint Hills National Golf Club for irrigation of the golf course. A jetter and easement machine was used to clean 72,000 feet of sewer lines. As part of an ongoing maintenance program, 4,760' of sewer pipes, and 23 manholes and 227' of vertical pipe were rehabbed and/or lined. The rehabilitation of the sewer lines and manholes has allowed the average daily flows to remain steady, while the number of sewer connections continues to increase.

Fire Department

Andover Fire/Rescue responded to 1,242 requests for assistance in 2010, a decrease of .9% from 2009. Of the total, 801 were medical or rescue responses, 75 fires and 366 "other" types of responses. In 2010, twelve Andover Firefighters received advanced emergency medical training consisting of 170 hours of training each to obtain the rating of Emergency Medical Technician Intermediate (EMT-I). This is the first step in advancing to the Advanced Emergency Medical Technician (AEMT) certification. Training continues to be a priority within the department. In 2010 Andover firefighters received 4,098 hours of training for an average of 178 hours of training per firefighter – career and reserve firefighters.

Police Department

During 2010, the Police Department began an intensive three year initiative, seeking national accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA). In 2010, the department responded to 15,723 calls, approximately a 4.7% increase from 2009. However, major crime in almost every category decreased. There were significant reductions in specific crimes such as robberies (200%), residential burglaries (62.1%), non-residential burglaries (56.2%), motor vehicle thefts (27.3%), criminal threats (20.3%), aggravated assaults (83.3%) and simple assaults (71.4%). The continual reduction in crime is a direct reflection of the department's commitment to provide quality service to the residents of Andover. Additionally, in the department's interest in maintaining safe City streets, 2,446 citations were issued, which is consistent with 2009, and played a major role in the reduction of injury accidents by 21.9% and overall motor vehicle accidents by 17.5%

Storm Water Department

During 2010 work continued on the walking trail in Central Park along the creek. This project includes a mulched trail with great views of the creek lending an almost "middle of the country" feel in the heart of the City. The majority of this project is being completed by various scouting clubs. Two grants were obtained by this department. The first grant is for funding to complete the concrete sidewalk around Lake George in Central Park, and the second is to assist with the construction of a large rain garden in Andover Cornerstone Park. An Eagle Scout is working on coordinating the planting of the native plants and grasses. Once completed this will be the largest rain garden in the metro area and serves as a demonstration of the benefits of this type of environmental friendly garden.

Recycling/Trash Department

During 2010 the City Council contracted with a hauler to provide mandatory recycling. By the end of 2010 the recycling program was serving almost 3,500 households, and diverting a large amount of material from the landfills to be recycled. The City also entered into a contract with the recycling hauler to provide trash service (a voluntary participation program) at a reduced rate. The residents who have chosen this hauler (approximately 40%) have realized tremendous savings. Prior to the change households were paying \$65-\$90 per quarter, the new contracted rate is \$28.35 a quarter.

Building Inspection/Code Enforcement Department

Building permits and inspection requests are now processed through an internet based software service. Inspection requests can be made online and results reviewed immediately upon the completion of the inspection. In an effort to be more customer friendly, inspectors now carry mobile data terminals to receive and respond to inspection requests in a timelier manner. Staff performs plan reviews and inspections, which includes the support and review of several hundred permit and jobs that are currently active within the community. Approximately 3,600 scheduled inspections were performed in 2010.

Communications/Information Technology

In 2010, Communications/IT moved forward as a vital partner with the other departments. Planning and design for the new City Hall facility was a major project throughout 2010, as well as involvement in construction through the latter part of the year. The Police and Fire departments, as well as the new facility, were transitioned to a new IP-based phone system.

An enhanced audio/video system was installed in the new City Hall for broadcast of City Council meetings and other public uses of the facility. Andover 911 received a 2010 Wireless 911 Grant for the purchase of a new voice recorder. Andover 911 handled 15,723 calls for service, a 4.7% increase from 2009. Andover 911 continued with no staff turnover throughout 2010, and the Director of Communications became President of the Kansas chapter of the National Emergency Number Association.

FINANCIAL PLANNING

The Governing Body realizes the importance of a long-term plan for capital expenditures for buildings, land and infrastructures of a municipality. In 1990, the Governing Body adopted a "Long Range Goal Policy" which established the agenda for civic improvements. The policies contain ideas the Council and staff want to consider for the future of Andover as the community continues to grow. The purpose of the plan is to keep the present and future governing bodies informed on the relative need for large expenditures at times when the immediate needs of the community receive the most attention. The plan forces the Governing Body to give forethought to the future of the community. In addition, the plan provides information to the citizens well in advance of the City's intent to acquire and/or develop capital facilities. The policy is to be reviewed annually between January 1 and March 31.

Under the laws of the State of Kansas, special assessment debt incurred constitutes a general obligation of the City. This debt is controlled and serviced through the Debt Service fund. The City of Andover, on October 13, 1998 adopted a resolution that approved a debt management and fiscal policy that became effective January 1, 1999. Included in the resolution is a measure of debt affordability, which provides that the amount of new general obligation debt, including temporary notes, issued in any one fiscal year shall not exceed sixty percent of the amount of new growth in the prior year of the assessed valuation of the City.

The City's accounting system is organized and operated on a "fund basis". Each fund is a distinct self-balancing accounting entity.

In developing and altering the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding the safeguarding of assets against loss from unauthorized use or disposition. The internal accounting controls also insure the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The final evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations for accounting occur within the above framework. Internal control is exercised to the greatest extent conceivable for a city of our size with limited personnel.

During all regular City Council meetings the Governing Body approves appropriation ordinances listing all expenditures. The budget is reviewed continually in all activities for significant deviations from budget authorizations. The Kansas Cash Basis and Budget Laws

require cash be on hand before an expenditure is authorized, that all expenditures be budgeted (unless specifically exempted), and that the budget cannot exceed anticipated revenues including carry forward cash balances. The Governing Body, management, and department heads receive a monthly financial report on status of budgetary conditions of all funds.

As demonstrated by the statements and schedules included in the Financial Section of this report, the government continues meeting its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. The City of Andover became a City of the second class on April 1, 1995. Kansas Statutes Annotated requires an annual audit of all accounts. The City of Andover's Governing Body, pursuant to Kansas State Law, contracts for an audit of accounts, transactions, and financial records. The City of Andover engages George, Bowerman, and Noel, P.A., to perform the audit. The auditor's report on the financial statements is included in the Financial Section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Andover, Kansas, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate Program requirements, and are submitting it to GFOA to determine its eligibility for another certificate. The City of Andover has received the Certificate of Achievement for the last 31 years.

Acknowledgments. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City staff. I express my appreciation to all persons who assisted and contributed to the financial preparation of all reports. I would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

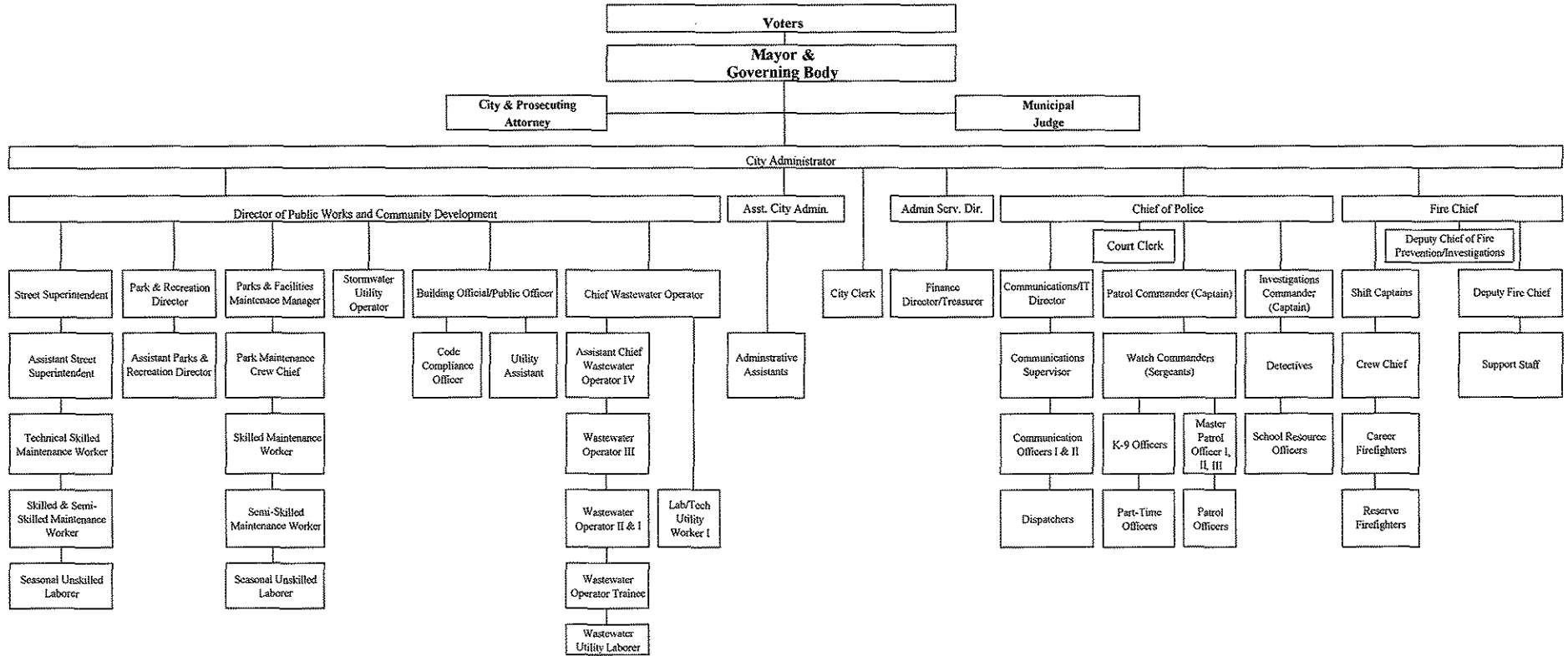


Donna K. Davis
Administrative Services Director

CITY OF ANDOVER, KANSAS
LIST OF PRINCIPAL OFFICIALS
December 31, 2010

Title	Name
Mayor	Ben Lawrence
Council Member	Sheri Geisler
Council Member	Caroline Hale
Council Member	Ray Jessen, Jr.
Council Member	Clark Nelson
Council Member	Julie Reams
Council Member	Dave Tingley
City Administrator	Sasha Stiles
City Superintendent	Leslie Mangus
City Clerk	Susan Renner
Administrative Services Director	Donna K. Davis
Financial Director/Treasurer	Julie Spyres
Chief of Police	Michael Keller
Chief of Fire	Jimmie Shaver
Wastewater Superintendent	Brian Walls
Street Superintendent	William Braitsch
Park & Recreation Director	Ralph Rust
City Consulting Engineer	Mike Thompson, POE & Associates
Municipal Judge	Eugene White
City Attorney	Norman Manley
Planning Consultant	Bickley Foster, Foster & Associates
Financial Advisor	Mark Detter, Central States Capital
Prosecuting Attorney	Cami Baker

CITY OF ANDOVER, KANSAS ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Andover
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION

George, Bowerman & Noel, P.A.

*Certified Public Accountants
Management Consultants
Tax Advisors*

Paul R. Bowerman
Gary L. George

Epic Center 301 N. Main, Suite 1350 Wichita, Kansas 67202 Telephone (316) 262-6277 Fax (316) 265-6150

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Andover, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Andover, Kansas (City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on such information.

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 10, 2011

**CITY OF ANDOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

As management of the City of Andover, Kansas, we offer readers of the City's Comprehensive Annual Financial report (CAFR) this narrative overview and analysis of the financial activities of the City of Andover for year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Andover exceeded its liabilities at the close of 2010 by \$58,255,231. Of this amount, \$20,832,375 represents net assets invested in capital assets, net of related debt. Also included is \$32,748,038 restricted for future debt service and wastewater facility expansion.
- The City's total net assets increased \$3,825,564 during the fiscal year.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund deficits of \$295,132, a decrease in the deficit of \$4,589,452 in comparison with the prior year.
- At the end of 2010, the General Fund fund balance was \$1,918,050, a slight decrease of .76% from 2009, which consisted of \$78,039 of reserved fund balance and \$1,840,011 of unreserved fund balance. Of the \$1,840,011 unreserved balance \$1,095,582 was designated for subsequent years' expenditures, and \$744,429 was unreserved and undesignated.
- The City of Andover's total bonded debt increased \$7,447,000 during 2010. The key factor was issuance of new general obligation bonds for infrastructure and for financing of the new city hall.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Andover's Comprehensive Annual Financial Report, which includes the basic financial statements. The City's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The *statement of net assets* presents information on all of the City of Andover's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Andover is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including public safety, highways and streets, culture and recreation, environmental protection, economic development, health and sanitation and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business type Activities** – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's sewer, water and recycling/trash utilities are reported here.
- **Component Unit** – A component unit is an entity that is legally separate, but for which the City is financially accountable. The Andover Public Library is reported under this heading.

Reporting the City's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds – not about the City of Andover as a whole. Some funds are required to be established by State law or by bond covenants. In addition, the City Council establishes other funds to help control and manage money for particular purposes, or to demonstrate that the City is complying with legal requirements for using certain taxes, grants or other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund Financial Statements

- Governmental funds – Most of the City's basic services are reported in its governmental funds, which focus on how money flows into and out of these funds, and the balances left at year-end are available for future spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationship or differences between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Andover maintains twenty individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Street Improvement Fund, Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 25 through 33 of this report.

- Proprietary funds – When the City charges for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statements of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary funds financial statements can be found at pages 34 through 38 of this report.

- Fiduciary funds – In these funds the City is the trustee, or fiduciary, for certain amounts held on behalf of parties outside the City. The City’s fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude these activities from the City’s other financial statements, because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The fiduciary funds financial statements can be found on page 39 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$58,255,231 at the close of 2010.

As shown on Table 1, the largest portion of the City’s assets, \$71,704,364, reflects its investment in capital assets less accumulated depreciation. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

[The remainder of this page intentionally left blank]

Table 1
City of Andover
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 43,206,661	\$ 33,733,142	\$ 3,891,109	\$ 4,363,298	\$ 47,097,770	\$ 38,096,440
Capital assets	49,754,516	44,669,813	21,949,848	20,772,234	71,704,364	65,442,047
Total assets	<u>92,961,177</u>	<u>78,402,955</u>	<u>25,840,957</u>	<u>25,135,532</u>	<u>118,802,134</u>	<u>103,538,487</u>
Current and other liabilities	15,556,010	11,523,897	83,244	41,693	15,639,254	11,565,590
Long-term liabilities	42,834,364	34,880,018	2,073,285	2,663,212	44,907,649	37,543,230
Total liabilities	<u>58,390,374</u>	<u>46,403,915</u>	<u>2,156,529</u>	<u>2,704,905</u>	<u>60,546,903</u>	<u>49,108,820</u>
Net assets						
Invested in capital assets, net of related debt	907,527	3,723,622	19,924,848	18,150,921	20,832,375	21,874,543
Restricted	29,429,901	28,160,493	3,318,137	3,266,458	32,748,038	31,426,951
Unrestricted	4,233,375	114,925	441,443	1,013,248	4,674,818	1,128,173
Total net assets	<u>\$ 34,570,803</u>	<u>\$ 31,999,040</u>	<u>\$ 23,684,428</u>	<u>\$ 22,430,627</u>	<u>\$ 58,255,231</u>	<u>\$ 54,429,667</u>

The city's net assets increased \$3,825,564 during 2010

[The remainder of this page intentionally left blank]

Table 2
City of Andover
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 1,070,853	\$ 855,061	\$ 1,573,712	\$ 1,327,454	\$ 2,644,565	\$ 2,182,515
Operating grants and contributions	330,462	344,869	-0-	-0-	330,462	344,869
Capital grants and contributions	5,721,800	1,999,911	-0-	-0-	5,721,800	1,999,911
General revenues:						
Sales tax	1,567,061	1,539,327	-0-	-0-	1,567,061	1,539,327
Property tax	4,927,084	4,573,036	-0-	-0-	4,927,084	4,573,036
Other taxes	759,404	746,149	-0-	-0-	759,404	746,149
Other general revenues	26,563	31,811	14,064	35,952	40,627	67,763
Total Revenues	<u>14,403,227</u>	<u>10,090,164</u>	<u>1,587,776</u>	<u>1,363,406</u>	<u>15,991,003</u>	<u>11,453,570</u>
Expenses						
General government	809,915	1,064,690	-0-	-0-	809,915	1,064,690
Public safety	3,623,780	3,349,588	-0-	-0-	3,623,780	3,349,588
Highways and street	3,084,834	2,091,853	-0-	-0-	3,084,834	2,091,853
Health and sanitation	107,215	96,071	-0-	-0-	107,215	96,071
Culture and recreation	1,210,123	1,015,734	-0-	-0-	1,210,123	1,015,734
Economic development	23,974	67,333	-0-	-0-	23,974	67,333
Environment protection	10,601	9,995	-0-	-0-	10,601	9,995
Interest on long-term debt	1,602,859	1,590,175	-0-	-0-	1,602,859	1,590,175
Water	-0-	-0-	197,173	191,202	197,173	191,202
Sewer	-0-	-0-	1,260,543	1,243,054	1,260,543	1,243,054
Recycling/Trash	-0-	-0-	234,422	-0-	234,422	-0-
Total Expenses	<u>10,473,301</u>	<u>9,285,439</u>	<u>1,692,138</u>	<u>1,434,256</u>	<u>12,165,439</u>	<u>10,719,695</u>
Excess (deficiency) of revenues over expenses before transfers	3,929,926	804,725	(104,362)	(70,850)	3,825,564	733,875
Transfers	(1,358,163)	66,346	1,358,163	(66,346)	-0-	-0-
Change in net assets	<u>\$ 2,571,763</u>	<u>\$ 871,071</u>	<u>\$ 1,253,801</u>	<u>\$ (137,196)</u>	<u>\$ 3,825,564</u>	<u>\$ 733,875</u>

[The remainder of this page intentionally left blank]

Governmental Activities. Governmental activities increased the City's net assets by \$2,571,763 in 2010. This increase is the result of total revenues increasing by \$4,313,063 that is primarily the result of the completion of various capital projects in which the benefiting properties had special assessment taxes levied totaling \$3,520,118. In addition, an increase in building permits during 2010 accounted for the primary increase in charges for services of \$215,792.

Governmental activities total expenses increased \$1,187,862 for 2010. Continued increases in street repair materials and increased repair activities were incurred in the highways and streets functional area reflecting an increase of \$992,981 for 2010. Overall, the City's payroll and benefit costs increased approximately 6% for 2010 as health insurance costs continue to increase. Public safety expenses increased \$274,192, or approximately 8% for 2010 due to personnel costs and operating expense increases. General government functional expenses decreased by \$254,775 primarily due to prior year bond issuance costs incurred of \$224,235 related to the significant refunding activity in 2009.

Business-type Activities. Business-type activities increased the City's net assets by \$1,253,801 in 2010. This increase can be attributed to developer and municipality contributions of water and sewer lines totaling \$1,778,333. Operations of the Water and Sewer Utilities remained relatively flat during 2010 with operations resulting in a combined operating loss for those two utilities of \$25,734. Transfers to other funds from Water and Sewer Utilities were \$420,170 during 2010 to assist in funding the City's portion of certain improvement projects. The City added the Recycling/Trash Utility operations to its business-type activities during 2010 which operated above breakeven adding \$19,733 to business-type net assets for the year.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2010, the City's governmental funds reported total fund deficits of \$295,132 compared to fund balance deficits of \$4,884,584 for the prior year, a decrease of \$4,589,452.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2010, the unreserved (designated and undesignated) fund balance of the General fund was \$1,840,011, while total fund balance was \$1,918,050, which was \$14,723 or .76% less than the prior year's General Fund total fund balance. The reason for the steady fund balance was a closer monitoring and limiting of expenditures to actual revenues.

The City's management may also designate unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, undesignated fund balance is available for appropriation at any time. Of the \$1,840,011 General Fund unreserved fund balance, 59.5% is designated. The designated amount is for current resources which were included in the subsequent year's budget to be used to finance operations for the ensuing year.

Street Improvement Fund

The Street Improvement Fund had an increase in the fund balance of \$44,057 or 2.9%. The decrease in sales tax and intergovernmental revenues were offset by lower expenditures on street construction and the issuance of general obligation bonds to finance the City portion of joint street projects.

Debt Service Fund

In the Debt Service Fund, the fund balance increased \$372,585 or 56.7%, as a direct result of refinancing several general obligation bonds in prior years, from which saving are being realized.

Capital Projects Fund

During 2010, the Capital Projects Fund incurred \$4,647,463 more in expenditures than in 2009. The major project in 2010 was the construction of a new 27,000 square foot, \$3.764 million City Hall, replacing the previous 5,000 square foot facility. A federal grant was received to offset the cost of encompassing a 3,888 square foot FEMA rated tornado shelter in the facility.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net assets of the enterprise funds increased \$1,253,801. This was due primarily to the contribution of water and sewer capital assets from developers and the municipality totaling \$1,778,333. Utility user fees did not increase in 2010.

Water Utility Fund

The total net assets of the Water Fund increased by \$598,569, primarily due to the increase in new infrastructure built and contributed in 2010.

Sewer Utility Fund

The total net assets of the Sewer Utility Fund increased by \$635,499. Utility user fees collected primarily held steady with a slight decrease of \$13,373 from the prior year. The net cost of infrastructure built in 2010 accounted for \$663,169 of the increase.

Recycling/Trash Fund

In the first year for the Recycling/Trash Fund, it ended with net assets of of \$19,733.

General Fund Budgetary Highlights

Actual General Fund revenues were higher than the final budget by \$575,363, of which \$219,197 can be attributed to higher than normal volume of commercial construction permits. The remainder is primarily due to an increase in taxes collected of \$117,371. The final expenditures from the General Fund at year-end were \$397,562 less than the final budget. The budget to actual variance in appropriations was principally due to contractual service expenditures coming in \$198,274 less than projected and \$180,839 less spent on capital outlay than estimated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2010, amounted to \$71,704,364 (net of accumulated depreciation). This investment, detailed in Table 3, in a broad range of capital assets includes land, infrastructure, buildings and improvements, equipment, and construction in progress. This amount represents a net increase of \$6,262,317, or 9.6%, for 2010.

[The remainder of this page intentionally left blank]

Table 3
City of Andover
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,364,841	\$ 1,364,841	\$ 123,946	\$ 123,946	\$ 1,488,787	\$ 1,488,787
Buildings and improvements	5,753,161	5,895,326	2,859,342	2,952,090	8,612,503	8,847,416
Impr. other than buildings	389,106	421,072	18,911,040	17,626,140	19,300,146	18,047,212
Machinery and equipment	1,505,181	1,694,497	55,520	70,058	1,560,701	1,764,555
Infrastructure	27,802,139	22,750,609	-0-	-0-	27,802,139	22,750,609
Construction in progress	12,940,088	12,543,468	-0-	-0-	12,940,088	12,543,468
Capital assets, net	<u>\$49,754,516</u>	<u>\$44,669,813</u>	<u>\$21,949,848</u>	<u>\$20,772,334</u>	<u>\$71,704,364</u>	<u>\$65,442,047</u>

Some of the City's major capital asset events in 2010 were:

- In the capital projects there was a net infrastructure increase of \$5,051,530, resulting from street, water line and sewer line improvements. In addition, there was net increase in construction in progress of \$396,620, which was comprised of streets and drainage systems being constructed in a new commercial development.
- There was a net decrease in machinery and equipment in governmental activities of \$189,316. This was due to the depreciation of \$499,464 being greater than the additional purchases of \$310,148. The major purchases were a road grader and additional police vehicles.

Additional information regarding the City's capital assets can be found at note 3 of the Notes to the Financial Statements.

[The remainder of this page intentionally left blank]

Debt

At December 31, 2010, the City had total bonded debt outstanding of \$35,909,000. Of this amount, \$33,884,000 comprises debt backed by the full faith and credit of the government. The remainder of the City debt represents revenue bonds for the sewer utility. In addition, the City is obligated for \$9,513,000 of temporary notes for capital projects. The City's total bonded debt increased \$6,146,000 or 15.6% in 2010 due to the issuance of additional temporary notes to finance capital projects and the bonding of projects that were completed that didn't have prior temporary note financing.

Additional information regarding the City's long-term debt can be found at note 4 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for Butler County, in which Andover is located, is currently 7.5%, which is an increase from the rate of .6% a year ago. This compares to the state's average unemployment rate of 6.8% and the national average of 9.4%. Inflationary trends in the region compare favorably to national indices. Assessed valuation increased .84% between the 2010 and 2011 budgets. These and other factors were considered in preparing the City of Andover's budget for the 2011 fiscal year.

During 2010, unreserved budgetary fund balance in the general fund decreased to \$1,752,898. The City anticipated an unreserved fund balance of \$1,095,582 when it adopted its 2011 operating budget.

The rates for the sewer utility remained steady in 2010, but there is a 23.5% increase planned for July 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Finance Department at the City of Andover, 1609 E. Central, Andover, Kansas 67002, or at (316)733-1303.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS

STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
<u>ASSETS</u>				
Cash and investments	\$ 10,276,800	\$ 226,194	\$ 10,502,994	\$ 190,914
Receivables:				
Property taxes	4,251,917	—	4,251,917	—
Special assessment taxes	28,400,466	—	28,400,466	—
Sales taxes	121,852	—	121,852	—
Franchise fees	85,662	—	85,662	—
Trade accounts, net	20,973	199,215	220,188	—
Unconditional promises to give	—	—	—	4,609
Prepaid items	23,905	—	23,905	—
Restricted assets	25,086	3,335,227	3,360,313	—
Unamortized debt issuance costs	—	107,554	107,554	—
Unamortized deferred costs on refunding	—	22,919	22,919	—
Capital assets:				
Land	1,364,841	123,946	1,488,787	—
Buildings	7,052,977	4,623,732	11,676,709	—
Improvements other than buildings	623,419	24,678,888	25,302,307	—
Infrastructure	41,321,496	—	41,321,496	—
Machinery and equipment	5,325,633	577,788	5,903,421	303,671
Less accumulated depreciation	(18,873,938)	(8,054,506)	(26,928,444)	(164,203)
Construction work in progress	12,940,088	—	12,940,088	—
Total assets	92,961,177	25,840,957	118,802,134	334,991
<u>LIABILITIES</u>				
Accounts payable	1,165,412	66,154	1,231,566	716
Accrued interest payable	624,421	17,090	641,511	—
Matured bonds and coupons payable	1,260	—	1,260	—
Temporary notes payable	9,513,000	—	9,513,000	—
Unearned revenue	4,251,917	—	4,251,917	—
Noncurrent liabilities:				
Due within one year	3,895,692	306,929	4,202,621	—
Due in more than one year	38,938,672	1,766,356	40,705,028	—
Total liabilities	58,390,374	2,156,529	60,546,903	716
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	907,527	19,924,848	20,832,375	139,468
Restricted for:				
Debt service	29,429,901	2,045,652	31,475,553	—
Wastewater expansion and equipment	—	1,272,485	1,272,485	—
Library building	—	—	—	4,609
Unrestricted	4,233,375	441,443	4,674,818	190,198
	\$ 34,570,803	\$ 23,684,428	\$ 58,255,231	\$ 334,275

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
Governmental Activities:								
General government	\$ 809,915	\$ 397,086	\$ 3,427	\$ —	\$ (409,402)	\$ —	\$ (409,402)	—
Public safety	3,623,780	236,339	—	35,169	(3,352,272)	—	(3,352,272)	—
Highways and streets	3,084,834	151,010	327,035	830,664	(1,776,125)	—	(1,776,125)	—
Health and sanitation	107,215	—	—	—	(107,215)	—	(107,215)	—
Culture and recreation	1,210,123	286,418	—	—	(923,705)	—	(923,705)	—
Economic development	23,974	—	—	—	(23,974)	—	(23,974)	—
Environmental protection	10,601	—	—	—	(10,601)	—	(10,601)	—
Interest on long-term debt	1,602,859	—	—	4,855,967	3,253,108	—	3,253,108	—
Total Governmental Activities	<u>\$ 10,473,301</u>	<u>\$ 1,070,853</u>	<u>\$ 330,462</u>	<u>\$ 5,721,800</u>	<u>(3,350,186)</u>	<u>—</u>	<u>(3,350,186)</u>	<u>—</u>
Business-Type Activities:								
Water Utility	\$ 197,173	\$ 113,690	\$ —	\$ —	—	(83,483)	(83,483)	—
Sewer Utility	1,260,543	1,205,873	—	—	—	(54,670)	(54,670)	—
Recycling/Trash Utility	234,422	254,149	—	—	—	19,727	19,727	—
Total Business-Type Activities	<u>\$ 1,692,138</u>	<u>\$ 1,573,712</u>	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>(118,426)</u>	<u>(118,426)</u>	<u>—</u>
Component Unit:								
Andover Public Library	<u>\$ 477,347</u>	<u>\$ 15,912</u>	<u>\$ 41,239</u>	<u>\$ 4,048</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(416,148)</u>
General Revenues and Transfers:								
Property taxes levied for:								
General purposes					4,379,228	—	4,379,228	—
Debt service					547,856	—	547,856	—
Sales taxes					1,567,061	—	1,567,061	—
Franchise taxes					683,013	—	683,013	—
Tourism taxes					76,391	—	76,391	—
Payment from City of Andover					—	—	—	370,300
Investment earnings					26,563	14,064	40,627	3,609
Transfers in (out)					(1,358,163)	1,358,163	—	—
Total general revenues and transfers					<u>5,921,949</u>	<u>1,372,227</u>	<u>7,294,176</u>	<u>373,909</u>
Change in net assets					2,571,763	1,253,801	3,825,564	(42,239)
Net assets at beginning of year					<u>31,999,040</u>	<u>22,430,627</u>	<u>54,429,667</u>	<u>376,514</u>
Net assets at end of year					<u>\$ 34,570,803</u>	<u>\$ 23,684,428</u>	<u>\$ 58,255,231</u>	<u>\$ 334,275</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2010

	<u>General</u>	<u>Street Improvement</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and investments	\$1,819,239	\$ 1,518,360	\$ 1,029,435	\$ 2,866,681	\$ 3,043,085	\$ 10,276,800
Cash held by escrow agent	22,241	—	—	—	1,585	23,826
Cash with fiscal agent	—	—	1,260	—	—	1,260
Property taxes receivable	2,453,596	—	112,678	—	1,685,643	4,251,917
Special assessment taxes receivable	—	—	28,400,466	—	—	28,400,466
Franchise fees receivable	85,662	—	—	—	—	85,662
Sales taxes receivable	—	121,852	—	—	—	121,852
Accounts receivable	—	—	—	—	20,973	20,973
Total assets	<u>\$4,380,738</u>	<u>\$ 1,640,212</u>	<u>\$29,543,839</u>	<u>\$ 2,866,681</u>	<u>\$ 4,751,286</u>	<u>\$ 43,182,756</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 9,092	\$ 54,370	\$ —	\$ 1,067,182	\$ 34,768	\$ 1,165,412
Accrued interest payable	—	—	—	145,833	—	145,833
Matured bonds and coupons payable	—	—	1,260	—	—	1,260
Temporary notes payable	—	—	—	9,513,000	—	9,513,000
Deferred revenue	<u>2,453,596</u>	<u>—</u>	<u>28,513,144</u>	<u>—</u>	<u>1,685,643</u>	<u>32,652,383</u>
Total liabilities	<u>2,462,688</u>	<u>54,370</u>	<u>28,514,404</u>	<u>10,726,015</u>	<u>1,720,411</u>	<u>43,477,888</u>
Fund balances (deficit):						
Reserved for encumbrances	78,039	—	—	2,266,794	192,520	2,537,353
Unreserved:						
Designated for subsequent years' expenditures for:						
General fund	1,095,582	—	—	—	—	1,095,582
Debt Service fund	—	—	536,156	—	—	536,156
Special Revenue funds	—	757,919	—	—	1,104,637	1,862,556
Designed for debt service	—	—	493,279	—	—	493,279
Undesignated for:						
General fund	744,429	—	—	—	—	744,429
Capital project fund	—	—	—	(10,126,128)	—	(10,126,128)
Special Revenue funds	—	<u>827,923</u>	—	—	<u>1,733,718</u>	<u>2,561,641</u>
Total fund balances (deficit)	<u>1,918,050</u>	<u>1,585,842</u>	<u>1,029,435</u>	<u>(7,859,334)</u>	<u>3,030,875</u>	<u>(295,132)</u>
Total liabilities and fund balances	<u>\$4,380,738</u>	<u>\$ 1,640,212</u>	<u>\$29,543,839</u>	<u>\$ 2,866,681</u>	<u>\$ 4,751,286</u>	<u>\$ 43,182,756</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2010

Total Governmental Fund Balances (Deficit)	\$	(295,132)
--	----	-----------

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

Cost	\$ 68,628,454	
Accumulated depreciation	<u>(18,873,938)</u>	
		49,754,516

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds:

Special assessments receivable	28,400,466	
Prepaid expenses		23,905

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable on general obligation bonds	423,957	
Accrued interest payable on Andover Public Building Commission revenue bonds payable	54,631	
Compensated absences payable	609,868	
General obligation bonds payable	33,884,000	
Andover Public Building Commission Revenue bonds payable	7,902,000	
Capital lease obligations payable	<u>438,496</u>	
		<u>(43,312,952)</u>

Net Assets of Governmental Activities	\$	<u>34,570,803</u>
---------------------------------------	----	-------------------

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended December 31, 2010

	General	Street Improvement	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and sales taxes	\$ 2,846,497	\$ 1,567,061	\$ 299,841	\$ –	\$ 1,898,433	\$ 6,611,832
Special assessment taxes	–	–	3,959,144	509,820	–	4,468,964
Intergovernmental	15,276	320,844	–	–	372,620	708,740
Licenses and permits	911,375	–	–	–	157,990	1,069,365
Charges for services	237,085	–	–	–	98,245	335,330
Fines and forfeitures	195,043	–	–	–	–	195,043
Use of money and property	9,191	4,535	4,198	1,074	43,499	62,497
Miscellaneous	23,320	–	–	–	31,313	54,633
Total revenues	4,237,787	1,892,440	4,263,183	510,894	2,602,100	13,506,404
Expenditures:						
Current:						
General government	653,369	–	–	–	133,132	786,501
Public safety	2,550,527	–	–	–	778,716	3,329,243
Highways and streets	231,703	1,143,259	–	–	678,784	2,053,746
Health and sanitation	–	–	–	–	106,043	106,043
Culture and recreation	478,781	–	–	–	551,758	1,030,539
Environmental protection	7,938	–	–	–	2,663	10,601
Economic development	–	–	–	–	22,178	22,178
Capital improvements	–	–	–	8,325,641	–	8,325,641
Debt Service	254,858	–	4,269,988	143,698	309,086	4,977,630
Total expenditures	4,177,176	1,143,259	4,269,988	8,469,339	2,582,360	20,642,122
Revenues over (under) expenditures	60,611	749,181	(6,805)	(7,958,445)	19,740	(7,135,718)
Other financing sources (uses):						
Issuance of General Obligation Bonds	–	154,613	–	6,721,387	–	6,876,000
Issuance of Certificates of Participation	70,766	–	–	–	8,234	79,000
Issuance of Andover Public Building Commission Improvement Revenue Bonds	–	–	–	4,350,000	–	4,350,000
Transfers in	–	66,852	379,390	1,090,179	524,069	2,060,490
Transfers out	(146,100)	(926,589)	–	(189,662)	(377,969)	(1,640,320)
Total other financing sources (uses)	(75,334)	(705,124)	379,390	11,971,904	154,334	11,725,170
Net change in fund balances	(14,723)	44,057	372,585	4,013,459	174,074	4,589,452
Fund balances (deficit), beginning of year	1,932,773	1,541,785	656,850	(11,872,793)	2,856,801	(4,884,584)
Fund balances (deficit), end of year	\$ 1,918,050	\$ 1,585,842	\$ 1,029,435	\$ (7,859,334)	\$ 3,030,875	\$ (295,132)

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES**

Year Ended December 31, 2010

Net Change in Fund Balances – Total Governmental Funds \$ 4,589,452

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these
amounts are:

Capital outlays	\$ 7,761,970	
Depreciation	<u>(2,677,267)</u>	
Excess of capital outlays over depreciation expense and asset dispositions		5,084,703

Long-term debt proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the statement of net assets for:

General obligation bonds	6,876,000	
Andover Public Building Commission revenue bonds	4,350,000	
Capital lease obligations	<u>79,000</u>	
Total issuance of long-term debt		(11,305,000)

In the statement of activities, interest is accrued on outstanding
debt, whereas in governmental funds, an interest expenditure
is reported when due (44,924)

Repayment of debt principal is an expenditure in the
governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets:

General obligation bond payment	3,046,000	
Andover Public Building Commission revenue bond payment	143,000	
Capital lease obligations	<u>230,695</u>	
Total payments on long-term liabilities		3,419,695

Special assessments are not considered available to liquidate
liabilities of the current period. However, they are recognized
as revenue in the statement of activities as soon as the related
improvement is completed and the special assessments are levied 896,823

Some expenses reported in the statement of activities do
not require the use of current financial resources and
therefore are not reported as expenditures in the funds:

Prepaid items	55	
Compensated absences payable	<u>(69,041)</u>	
Total		<u>(68,986)</u>

Change in Net Assets of Governmental Activities \$ 2,571,763

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS

Year ended December 31, 2010
(continued on next page)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 2,729,126	\$ 2,729,126	\$ 2,846,497	\$ 117,371
Intergovernmental	—	—	15,276	15,276
Licenses, fees and permits	667,000	667,000	886,197	219,197
Charges for services	82,010	82,010	237,085	155,075
Fines and forfeitures	180,000	180,000	195,043	15,043
Use of money and property	20,000	20,000	9,191	(10,809)
Miscellaneous	600	600	23,320	22,720
Proceeds from capital lease	—	—	70,766	70,766
Transfers in	60,000	60,000	—	(60,000)
Cancellation of prior year encumbrances	—	—	30,724	30,724
Total revenues and other sources	<u>3,738,736</u>	<u>3,738,736</u>	<u>4,314,099</u>	<u>575,363</u>
Expenditures, encumbrances and other uses:				
General government:				
General department:				
Personal services	398,916	398,916	394,378	4,538
Contractual services	317,525	317,525	232,370	85,155
Commodities	35,800	35,800	22,271	13,529
Capital outlay	—	—	1,297	(1,297)
Debt service	—	—	10,128	(10,128)
Contingency reserve	12,000	12,000	—	12,000
Transfers out	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>	<u>—</u>
Total general government	<u>812,241</u>	<u>812,241</u>	<u>708,444</u>	<u>103,797</u>
Public safety:				
Police department:				
Personal services	912,563	912,563	880,114	32,449
Contractual services	145,705	145,705	116,510	29,195
Commodities	127,800	127,800	100,350	27,450
Capital outlay	95,780	95,780	78,785	16,995

CITY OF ANDOVER, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS

Year ended December 31, 2010
(continued from previous page)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt service	\$ —	\$ —	\$ 72,031	\$ (72,031)
Transfers out	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total police department	<u>1,296,848</u>	<u>1,296,848</u>	<u>1,262,790</u>	<u>34,058</u>
Fire department:				
Personal services	578,072	578,072	582,687	(4,615)
Contractual services	69,197	69,197	48,731	20,466
Commodities	54,805	54,805	43,254	11,551
Capital outlay	104,974	104,974	9,805	95,169
Debt service	—	—	94,470	(94,470)
Transfers out	<u>16,600</u>	<u>16,600</u>	<u>16,600</u>	<u>—</u>
Total fire department	<u>823,648</u>	<u>823,648</u>	<u>795,547</u>	<u>28,101</u>
Municipal Court department:				
Personal services	73,009	73,009	77,862	(4,853)
Contractual services	13,870	13,870	9,572	4,298
Commodities	200	200	45	155
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>1,500</u>	<u>500</u>
Total Municipal Court department	<u>89,079</u>	<u>89,079</u>	<u>88,979</u>	<u>100</u>
Total public safety	<u>2,209,575</u>	<u>2,209,575</u>	<u>2,147,316</u>	<u>62,259</u>
Highways and streets:				
Street department:				
Personal services	246,453	246,453	217,089	29,364
Contractual services	56,939	56,939	49,321	7,618
Commodities	11,500	11,500	1,293	10,207
Capital outlay	36,314	36,314	—	36,314
Debt service	—	—	36,312	(36,312)
Transfers out	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>—</u>
Total highways and streets	<u>396,206</u>	<u>396,206</u>	<u>349,015</u>	<u>47,191</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2010
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Recreation:				
Park department:				
Personal services	\$ 296,072	\$ 296,072	\$ 256,677	\$ 39,395
Contractual services	98,003	98,003	78,277	19,726
Commodities	113,040	113,040	48,721	64,319
Capital outlay	30,300	30,300	38,812	(8,512)
Debt service	<u>—</u>	<u>—</u>	<u>15,842</u>	<u>(15,842)</u>
Total park department	<u>537,415</u>	<u>537,415</u>	<u>438,329</u>	<u>99,086</u>
Recreation Programs:				
Contractual services	30,750	30,750	24,523	6,227
Commodities	<u>51,260</u>	<u>51,260</u>	<u>32,460</u>	<u>18,800</u>
Total recreation programs	<u>82,010</u>	<u>82,010</u>	<u>56,983</u>	<u>25,027</u>
Total recreation	<u>619,425</u>	<u>619,425</u>	<u>495,312</u>	<u>124,113</u>
Environmental Protection:				
Composting Program:				
Personal services	9,369	9,369	7,608	1,761
Commodities	<u>1,000</u>	<u>1,000</u>	<u>330</u>	<u>670</u>
Total composting program	<u>10,369</u>	<u>10,369</u>	<u>7,938</u>	<u>2,431</u>
Computer/IT Department:				
Personal services	264,941	264,941	259,961	4,980
Contractual services	75,085	75,085	53,633	21,452
Commodities	26,300	26,300	40,634	(14,334)
Capital outlay	94,800	94,800	36,932	57,868
Debt service	<u>—</u>	<u>—</u>	<u>13,460</u>	<u>(13,460)</u>
Transfers out	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total Computer/IT Department	<u>476,126</u>	<u>476,126</u>	<u>419,620</u>	<u>56,506</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2010
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Building Inspection Department:				
Personal services	\$ 167,120	\$ 167,120	\$ 172,117	\$ (4,997)
Contractual services	20,325	20,325	16,188	4,137
Commodities	9,500	9,500	8,343	1,157
Capital outlay	13,583	13,583	12,615	968
Transfer out	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>—</u>
Total Building Inspection Department	<u>215,528</u>	<u>215,528</u>	<u>214,263</u>	<u>1,265</u>
Total expenditures, encumbrances and other uses	<u>4,739,470</u>	<u>4,739,470</u>	<u>4,341,908</u>	<u>397,562</u>
Revenues and other sources over (under) expenditures, encumbrances and other uses	(1,000,734)	(1,000,734)	(27,809)	972,925
Fund balance, beginning of year	<u>1,177,734</u>	<u>1,177,734</u>	<u>1,780,707</u>	<u>602,973</u>
Fund balance, end of year	<u>\$ 177,000</u>	<u>\$ 177,000</u>	<u>\$ 1,752,898</u>	<u>\$ 1,575,898</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS

STREET IMPROVEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$1,500,000	\$1,500,000	\$1,550,662	\$ 50,662
Intergovernmental	—	—	320,844	320,844
Use of money and property	2,000	2,000	4,535	2,535
Proceeds from general obligation bonds	—	—	154,613	154,613
Transfers in	—	66,852	66,852	—
Cancellation of prior year encumbrances	—	—	922	922
Total revenues	<u>1,502,000</u>	<u>1,568,852</u>	<u>2,098,428</u>	<u>529,576</u>
Expenditures:				
Contractual services	—	2,838	141,841	(139,003)
Capital outlay	1,161,810	2,279,846	998,289	1,281,557
Transfers out	<u>181,470</u>	<u>181,470</u>	<u>926,589</u>	<u>(745,119)</u>
Total expenditures	<u>1,343,280</u>	<u>2,464,154</u>	<u>2,066,719</u>	<u>397,435</u>
Revenues over (under) expenditures	158,720	(895,302)	31,709	927,011
Fund balance, beginning of year	<u>252,535</u>	<u>1,660,509</u>	<u>1,432,282</u>	<u>(228,227)</u>
Fund balance, end of year	<u>\$ 411,255</u>	<u>\$ 765,207</u>	<u>\$1,463,991</u>	<u>\$ 698,784</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS
STATEMENT OF NET ASSETS – ALL ENTERPRISE FUNDS
December 31, 2010

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
<u>ASSETS</u>				
Current assets:				
Cash including investments	\$ 73,003	\$ 141,013	\$ 12,178	\$ 226,194
Trade accounts receivable	9,901	118,101	71,213	199,215
Restrict assets:				
Cash and investments restricted for:				
Revenue bond requirements	<u>—</u>	<u>307,090</u>	<u>—</u>	<u>307,090</u>
Total current assets	<u>82,904</u>	<u>566,204</u>	<u>83,391</u>	<u>732,499</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments restricted for:				
Sewage revenue bond				
Requirements	<u>—</u>	<u>1,755,652</u>	<u>—</u>	<u>1,755,652</u>
Sewage equipment	<u>—</u>	<u>216,755</u>	<u>—</u>	<u>216,755</u>
Sewage treatment expansion	<u>—</u>	<u>1,055,730</u>	<u>—</u>	<u>1,055,730</u>
Total restricted assets	<u>—</u>	<u>3,028,137</u>	<u>—</u>	<u>3,028,137</u>
Capital assets:				
Land	<u>—</u>	<u>123,946</u>	<u>—</u>	<u>123,946</u>
Water mains and distribution lines	<u>8,633,273</u>	<u>—</u>	<u>—</u>	<u>8,633,273</u>
Sewage mains and distribution lines	<u>—</u>	<u>16,045,615</u>	<u>—</u>	<u>16,045,615</u>
Sewage disposal plant	<u>—</u>	<u>4,623,732</u>	<u>—</u>	<u>4,623,732</u>
Machinery and equipment	<u>2,025</u>	<u>574,466</u>	<u>1,297</u>	<u>577,788</u>
	<u>8,635,298</u>	<u>21,367,759</u>	<u>1,297</u>	<u>30,004,354</u>
Less accumulated depreciation	<u>(2,150,522)</u>	<u>(5,903,552)</u>	<u>(432)</u>	<u>(8,054,506)</u>
Capital assets, net	<u>6,484,776</u>	<u>15,464,207</u>	<u>865</u>	<u>21,949,848</u>
Other assets:				
Unamortized bond issue costs, net	<u>—</u>	<u>107,554</u>	<u>—</u>	<u>107,554</u>
Deferred amount on refunding, net	<u>—</u>	<u>22,919</u>	<u>—</u>	<u>22,919</u>
Total other assets	<u>—</u>	<u>130,473</u>	<u>—</u>	<u>130,473</u>
Total noncurrent assets	<u>6,484,776</u>	<u>18,622,817</u>	<u>865</u>	<u>25,108,458</u>
Total assets	<u>6,567,680</u>	<u>19,189,021</u>	<u>84,256</u>	<u>25,840,957</u>

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ —	\$ 1,631	\$ 64,523	\$ 66,154
Current portion of accrued compensated absences payable	—	16,929	—	16,929
Current liabilities payable from restrict assets:				
Accrued revenue bond interest payable	—	17,090	—	17,090
Current portion of revenue bonds payable	—	290,000	—	290,000
Total current liabilities	—	325,650	64,523	390,173
Noncurrent liabilities:				
Long-term portion of accrued compensated absences payable	—	31,356	—	31,356
Long-term portion of revenue bonds payable	—	1,735,000	—	1,735,000
Total noncurrent liabilities	—	1,766,356	—	1,766,356
Total liabilities	—	2,092,006	64,523	2,156,529
<u>NET ASSETS</u>				
Net assets:				
Net assets invested in capital assets, net of related debt	6,484,776	13,439,207	865	19,924,848
Restricted for:				
Sewer revenue bond requirements	—	2,045,652	—	2,045,652
Sewage equipment	—	216,755	—	216,755
Sewage treatment expansion	—	1,055,730	—	1,055,730
Unrestricted	82,904	339,671	18,868	441,443
	<u>\$ 6,567,680</u>	<u>\$ 17,097,015</u>	<u>\$ 19,733</u>	<u>\$ 23,684,428</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANDOVER, KANSAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ALL ENTERPRISE FUNDS**

Year ended December 31, 2010

	<u>Business-type Activities</u> <u>–Enterprise Funds</u>			<u>Total</u> <u>Enterprise</u> <u>Funds</u>
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	<u>Recycling/</u> <u>Trash</u> <u>Utility</u>	
Operating revenues:				
Sales of services	\$ 113,690	\$ 1,175,588	\$ 254,149	\$ 1,543,427
Other	<u>–</u>	<u>30,285</u>	<u>–</u>	<u>30,285</u>
Total operating revenues	<u>113,690</u>	<u>1,205,873</u>	<u>254,149</u>	<u>1,573,712</u>
Operating expenses:				
Personal services	20,543	347,802	–	368,345
Contractual services	4,000	298,413	233,990	536,403
Commodities	–	69,065	–	39,065
Depreciation	<u>172,630</u>	<u>432,844</u>	<u>432</u>	<u>605,906</u>
Total operating expenses	<u>197,173</u>	<u>1,148,124</u>	<u>234,422</u>	<u>1,579,719</u>
Operating income (loss)	<u>(83,483)</u>	<u>57,749</u>	<u>19,727</u>	<u>(6,007)</u>
Nonoperating revenues and expenses:				
Interest income	431	13,627	6	14,064
Interest expense	–	(82,335)	–	(82,335)
Amortization of bond issuance costs	<u>–</u>	<u>(30,084)</u>	<u>–</u>	<u>(30,084)</u>
Net nonoperating revenues (expenses)	<u>431</u>	<u>(98,792)</u>	<u>6</u>	<u>(98,355)</u>
Income (loss) before contributions and transfers	(83,052)	(41,043)	19,733	(104,362)
Contribution from municipality	980,780	797,553	–	1,778,333
Transfers out	<u>(299,159)</u>	<u>(121,011)</u>	<u>–</u>	<u>(420,170)</u>
Change in net assets	598,569	635,499	19,733	1,253,801
Net assets, beginning of year	<u>5,969,111</u>	<u>16,461,516</u>	<u>–</u>	<u>22,430,627</u>
Net assets, end of year	<u>\$ 6,567,680</u>	<u>\$ 17,097,015</u>	<u>\$ 19,733</u>	<u>\$23,684,428</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS
STATEMENT OF CASH FLOWS –
ALL ENTERPRISE FUNDS

Year ended December 31, 2010

(continued on next page)

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
Cash flows from operating activities:				
Cash received from customers	\$ 112,649	\$ 1,317,538	\$ 182,936	\$ 1,613,123
Cash payments to vendors for materials and supplies	(4,000)	(365,847)	(169,467)	(539,314)
Cash paid to employees	(20,543)	(341,416)	–	(361,959)
Other cash receipts	–	30,285	–	30,285
Net cash provided by operating activities	<u>88,106</u>	<u>640,560</u>	<u>13,469</u>	<u>742,135</u>
Cash flows from capital and related financing activities:				
Issuance of refunding revenue bonds	–	2,275,000	–	2,275,000
Revenue bond issuance costs	–	(62,530)	–	(62,530)
Acquisition and construction of capital assets	–	(3,890)	(1,297)	(5,187)
Principal paid on revenue bonds	–	(2,865,000)	–	(2,865,000)
Interest paid on revenue bonds	–	(97,268)	–	(97,268)
Principal paid on capital lease	–	(6,313)	–	(6,313)
Interest paid on capital lease	–	(2,859)	–	(2,859)
Net cash used by financing activities	<u>–</u>	<u>(762,860)</u>	<u>(1,297)</u>	<u>(764,157)</u>
Cash flows from noncapital financing activities – transfers out	<u>(299,159)</u>	<u>(121,011)</u>	<u>–</u>	<u>(420,170)</u>
Cash flows from investing Activities - interest received	<u>431</u>	<u>13,627</u>	<u>6</u>	<u>14,064</u>
Net increase (decrease) in cash and cash equivalents	(210,622)	(229,684)	12,178	(428,128)
Cash and cash equivalents at beginning of year	<u>283,625</u>	<u>3,705,924</u>	<u>–</u>	<u>3,989,549</u>
Cash and cash equivalents at end of year	<u>\$ 73,003</u>	<u>\$ 3,476,240</u>	<u>\$ 12,178</u>	<u>\$ 3,561,421</u>

CITY OF ANDOVER, KANSAS
STATEMENT OF CASH FLOWS –
ALL ENTERPRISE FUNDS

Year ended December 31, 2010

(continued from previous page)

	Business-type Activities –Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
Cash and cash equivalents	\$ 73,003	\$ 141,013	\$ 12,178	\$ 226,194.
Restricted cash and cash equivalents included in restricted cash and investments	<u>—</u>	<u>3,335,227</u>	<u>—</u>	<u>3,335,227</u>
Cash and cash equivalents, end of year	<u>\$ 73,003</u>	<u>\$ 3,476,240</u>	<u>\$ 12,178</u>	<u>\$ 3,561,421</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Cash flows from operating activities:				
Operating income (loss)	\$ (83,483)	\$ 57,749	\$ 19,727	\$ (6,007)
Adjustments to reconcile net cash provided by operating income (loss) to net cash provided by operating activities:				
Depreciation	172,630	432,844	432	605,906
Decrease (increase) in accounts receivable	(1,041)	141,950	(71,213)	69,696
Increase in accounts payable	—	1,631	64,523	66,154
Increase in compensated absences payable	<u>—</u>	<u>6,386</u>	<u>—</u>	<u>6,386</u>
Net cash provided by operating activities	<u>\$ 88,106</u>	<u>\$ 640,560</u>	<u>\$ 13,469</u>	<u>\$ 742,135</u>

Noncash capital and related financing activities:

During 2010, the Water Utility and Sewer Utility funds received assets contributed from the municipality and developers in the amount of \$980,780 and \$797,553, respectively.

The accompanying notes are an integral
part of the financial statements.

CITY OF ANDOVER, KANSAS
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

December 31, 2010

	<u>Agency Funds</u>
Assets:	
Cash including investments	<u>\$ 4,691</u>
Liabilities:	
Accrued liabilities payable	1,373
Appearance bonds payable	<u>3,318</u>
Total liabilities	<u>4,691</u>
Net assets	<u><u>\$ —</u></u>

The accompanying notes are an
integral part of the financial statements.

CITY OF ANDOVER, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City of Andover (City) was incorporated in 1957 under the laws of the State of Kansas as a municipal corporation governed under a Mayor-Council form of government consisting of an elected mayor and six council members. The City provides a full range of municipal services to its citizens in the areas of highways and streets, wastewater treatment, public improvement, public safety, planning and zoning, recreation, and general administrative services. As required by generally accepted accounting principles, these financial statements present the City of Andover, Kansas (primary government) and its component units, entities for which the City is considered to be financially accountable. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely presented component unit

The component unit columns in the financial statements include the financial data of the City's component unit, the Andover Public Library (the Library). It is reported in a separate column to emphasize that it is legally separate from the City, however, the governing body of the component unit is appointed by the City Council. The City's component unit is accounted for using the same principles as the governmental fund types of the City.

The Andover Public Library operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The Library Board does not issue separate audited financial statements.

Blended component units

The Andover Public Building Commission is governed by a three-member board appointed by the City Council with one member consisting of a City Council Member. Although it is legally separate from the City, the Andover Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Andover Public Building Commission are reflected in the Andover Public Building Commission special revenue fund type and the Andover Public Building Commission Park Improvements capital project fund type.

Other Boards

The Park Board, Health Board, Planning Board and Board of Zoning Appeals are appointive boards that serve in an advisory capacity to the City Council. These advisory boards do not receive appropriations from the City Council. The financial activities related to these boards are reflected in the General and Park Improvement Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's basic financial statements include both government-wide, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net assets and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net assets presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary funds financial statements. Fiduciary funds do not have a measurement focus but they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and report only assets and liabilities. Accordingly, agency funds do not measure results of operations however, they use the accrual basis of accounting to recognized assets and payables.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Street Improvement Fund – The Street Improvement Fund is used to account for the local sales tax revenues committed to construction or improvement of City streets.

Debt Service Fund – The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for the resources accumulated and payments made for the acquisition and construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

Water Utility Fund – The Water Utility fund is used to account for the maintenance of the municipal water utility system. The supply, treatment and distribution of water for the City's water utility are provided by the City of Wichita.

Sewer Utility Fund – The Sewer Utility fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

Recycling/Trash Utility Fund – The Recycling/Trash Utility fund is used to account for the operation of the recycling and trash collection of solid waste. A third-party service provider provides the collection and disposal of trash to the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Agency Funds – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City maintains agency funds for Payroll withholdings and for Municipal Court Appearance Bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for franchise fees and other charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and investments

The City invests all idle cash aggregately. Investments are carried at fair value. Cash deposits are reported at a carrying amount that approximates fair value. Investments in external investment pools are valued at fair value representing the same value as the pool shares. For purposes of the statement of cash flows, the Water Utility, Sewer Utility and Recycling/Trash Utility Funds consider all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the investing funds based on their average monthly balances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes receivable

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. At December 31st such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's debt service fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's debt service fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. Special assessment taxes are levied over a ten or fifteen-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the debt service fund and as revenues in the statement of net assets. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as unearned revenue in the funds statements.

Other taxes and revenues

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and, consequently, for revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year.

Current year revenue from federal and state grants receivable has been recognized on the basis of current year expenditures applicable to such grants. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, permits, fines, forfeitures, charges for services and other revenues are generally not susceptible to accrual and are recorded when received in cash.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Utility accounts receivable

The City records water revenues billed to its customers when meters are read on a bimonthly basis. Charges for sewage treatment and solid waste services are billed quarterly. Unbilled service accounts receivable have been estimated at December 31, 2010, and are appropriately recorded as revenues.

Unconditional promises to give

The Andover Public Library Board had unconditional promises to give consisting of Capital Campaign pledges of \$8,150. The pledges are collectible through the year 2019. The expected payment stream of the pledges has been discounted using a rate of .75%. The pledges collectible at December 31, 2010 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2011	\$ 5,750
2012	500
2013	500
2014	400
2015	300
2016	300
2017	200
2018	100
2019	<u>100</u>
Total pledges receivable	8,150
Less discount for present value	(741)
Less allowance for doubtful pledges	<u>(2,800)</u>
	<u>\$ 4,609</u>

Inventories and prepaid expenses

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include all assets acquired subsequent to January 1, 1980. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	50 years
Infrastructure	20 to 30 years
Machinery	4 to 10 years
Sewage treatment plant	50 years
Water and sewer mains	50 years

Amortization of capital leases is included in depreciation expense.

Bond issue costs and the deferred amount on refunding in the Sewer Utility Fund are amortized utilizing the bonds outstanding method over the life of the revenue bonds.

Compensated absences

The City's policy regarding vacation pay permits all regular employees with one year of service to earn 40 hours vacation pay, two years of service to earn 80 hours vacation pay, three to ten years of service to earn 120 hours vacation pay and fifteen or more years of service to earn 160 hours vacation pay. Employees may accumulate a maximum of 150% of the amount of vacation earned in a twelve-month period and such vacation time that is not used in the allowed time period will be forfeited unless a special agreement has been reached with the Department Head and City Administrator. If vacation time cannot be taken due to workload, the employee shall be paid at regular salary after one year from the time vacation is earned. The City's policy regarding sick leave permits all regular full-time and probationary employees to earn 8 hours of sick leave for every month of service. Sick leave is allowed to accumulate up to a maximum of 480 hours. After the maximum hours are reached, employees, based on their monthly or hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31. Policies require the cancellation of accumulated sick leave upon termination. The liabilities for accrued compensated absences are based on current salary rates and the vested portion of accumulated benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

Accrued liabilities and long-term debt

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For governmental funds, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Long-term liabilities for revenue bonds payable are recorded as liabilities in the enterprise funds. Principal payments are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

Retirement plans

Substantially all full-time City employees, other than police and fire employees, are members of a single employer defined contribution pension plan administered by AXA Financial, Inc. The City's policy is to fund all pension costs accrued. The police and fire employees of the City are members of the State of Kansas Police and Firemen's Retirement System, which is a cost-sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the System's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, generally all of which are located within the environs of the City. This credit is unsecured by the City however, annually the City certifies any unpaid utility billings to the County Clerk for property tax levy against the respective property owners.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the governing body or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Reservations and designations of fund balance

The fund balance of the governmental funds include the following reservations, which represent amounts that are not appropriable or are legally segregated for a specific purpose:

Reserved for encumbrances – used to segregate a portion of fund balance for commitments related to unperformed (executory) contracts for goods or services not yet performed by vendors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fund balance of the governmental funds include the following designations, which represent management plans that are subject to change:

Designated for subsequent year's budget – used to segregate a portion of fund balance for current resources which were included in the subsequent year's budget to be used to finance operations of the ensuing year.

Designated for debt service – used to segregate a portion of fund balance for debt service resources for the payment of general long-term debt principal and interest amounts of future years.

The net assets of the proprietary funds include the following restrictions, which represent amounts that are legally segregated for a specific purpose:

Restricted for revenue bond requirements – used to segregate a portion of net assets restricted for future debt service and other reserve requirements provided for in the authorizing revenue bond ordinances and/or resolutions.

Restricted for sewage treatment expansion and equipment – used to segregate a portion of retained earnings restricted by ordinance of the governing body for future expansion of the wastewater treatment plant and acquisition of equipment.

Budgetary principles

The City is required by State statute to adopt annual budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service funds and enterprise funds on or before August 25 for the ensuing year. Specific special revenue funds exempted from legally adopted budgetary requirements include: Highway Improvement, Street Machinery and Bridge Building, Capital Equipment Reserve and Andover Public Building Commission funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Controls over spending in funds which are not subject to legal budgets are maintained by the use of internal spending limits established by management. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management has the authority to exceed line item budgets however, total fund expenditures cannot exceed the adopted budget of expenditures of individual funds.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The original budgets for the following funds were amended during 2010:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Street Improvement	\$ 1,343,280	\$ 2,464,154
Special Highway	333,853	458,853
Park Improvement	68,883	85,383
Emergency 911	57,100	100,100
Street Impact Fee	40,000	290,000
Park Impact Fee	70,000	170,500
Water Utility	80,146	335,000

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year, except for capital project funds which are carried forward until such time as the project is completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements include encumbrances and, consequently, differ from the expenditure data presented in the financial statements prepared in accordance with generally accepted accounting principles. For budget purposes, fund balances are determined by deducting liabilities and encumbrances from cash.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

2. DEPOSITS AND INVESTMENTS (continued)

Investments

At December 31, 2010 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Weighted Average Months to Maturity</u>	<u>Standard & Poor's Rating</u>
Municipal Investment Pool – Overnight	\$ 7,179	\$ 7,179	.03	AAAf/S1+
Security Bank of Kansas City – Federated Government Obligations Fund	<u>23,826</u>	<u>23,826</u>	1.58	AAAm
	<u>\$ 31,005</u>	<u>\$ 31,005</u>		

The Kansas State Treasurer under the oversight of the Pooled Money Investment Board manages the Municipal Investment Pool. The Pooled Money Investment Board is comprised of five members, four being appointed by the Governor of the State of Kansas, subject to confirmation by the State Senate, and the fifth member is the State Treasurer. Investments by the State Treasurer of pooled moneys are limited to those investments defined by State statute and each participant's fair value of their position in the pool is the same as their value of the pool shares. The investments with the Kansas Municipal Investment Pool are not subject to pledged security statutes.

Investments held at Security Bank of Kansas City represent Trustee investments of unspent proceeds from the Certificates of Participation Series 2010A.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2010, is as follows:

Kansas Municipal Investment Pool	24%
Federated Government Obligations Fund	76%

Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State Statutes define the allowable pledged securities.

The City and its component unit's cash and investments at December 31, 2010 consisted of demand deposit accounts, money market savings accounts, certificates of deposits and investments in the Kansas State Treasurer's Municipal Investment Pool and investments held by the Security Bank of Kansas. At year-end, the carrying amount of the City's deposits was \$13,834,968 with the bank balances of such accounts being \$14,430,776. Of the bank balances, \$503,818 was covered by federal depository insurance and the remaining balance of

2. DEPOSITS AND INVESTMENTS (continued)

\$13,331,150 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of those pledged securities held by the City's custodial bank was \$15,874,704 at December 31, 2010.

The City's discretely presented component unit's cash and investments at December 31, 2010 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component unit's deposits was \$190,914 and the bank balances were \$225,129. The bank balances were entirely covered by federal depository insurance coverage at year-end.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2010 is as follows:

Cash on hand	\$ 765
Carrying amount of deposits – City	13,834,968
Cash held by fiscal agent	1,260
Carrying amount of deposits – component unit	190,914
Carrying amount of investments	<u>31,005</u>
Total	<u>\$ 14,058,912</u>
Amounts per statement of net assets:	
Cash including investments	\$ 10,502,994
Component unit cash and investments	190,914
Cash held in fiduciary funds	4,691
Restricted cash and investments	<u>3,360,313</u>
Total	<u>\$ 14,058,912</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2010 is as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,364,841	\$ –	\$ –	\$ 1,364,841
Construction Work in Progress	<u>12,543,468</u>	<u>9,375,308</u>	<u>8,978,688</u>	<u>12,940,088</u>
	<u>13,908,309</u>	<u>9,375,308</u>	<u>8,978,688</u>	<u>14,304,929</u>
Capital assets being depreciated:				
Buildings	7,052,977	–	–	7,052,977

3. CAPITAL ASSETS (continued)

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Improvements other than buildings	\$ 623,419	\$ —	\$ —	\$ 623,419
Infrastructure	34,266,294	7,200,355	145,153	41,321,496
Machinery and equipment	<u>5,015,485</u>	<u>310,148</u>	<u>—</u>	<u>5,325,633</u>
Total capital assets being depreciated	<u>46,958,175</u>	<u>7,510,503</u>	<u>145,153</u>	<u>54,323,525</u>
Less accumulated depreciation for:				
Buildings	1,157,651	142,165	—	1,299,816
Improvements other than buildings	202,347	31,966	—	234,313
Infrastructure	11,515,685	2,003,672	—	13,519,357
Machinery and equipment	<u>3,320,988</u>	<u>499,464</u>	<u>—</u>	<u>3,820,452</u>
Total accumu- lated depreciation	<u>16,196,671</u>	<u>2,677,267</u>	<u>—</u>	<u>18,873,938</u>
Total capital assets being deprec- iated, net	<u>30,761,504</u>	<u>4,833,236</u>	<u>145,153</u>	<u>35,449,587</u>
Governmental activities capital assets, net	<u>\$ 44,669,813</u>	<u>\$ 14,208,544</u>	<u>\$ 9,123,841</u>	<u>\$ 49,754,516</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 123,946	\$ —	\$ —	\$ 123,946
Capital assets being depreciated:				
Buildings	4,623,732	—	—	4,623,732
Improvements other than buildings	22,900,555	1,778,333	—	24,678,888
Machinery and equipment	<u>650,385</u>	<u>5,187</u>	<u>77,784</u>	<u>577,788</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Total capital assets being depreciated	<u>\$ 28,174,672</u>	<u>\$ 1,783,520</u>	<u>\$ 77,784</u>	<u>\$ 29,880,408</u>
Less accumulated depreciation for:				
Buildings	1,671,642	92,748	—	1,764,390
Improvements other than buildings	5,274,415	493,433	—	5,767,848
Machinery and equipment	<u>580,327</u>	<u>19,725</u>	<u>77,784</u>	<u>522,268</u>
Total accumulated depreciation	<u>7,526,384</u>	<u>605,906</u>	<u>77,784</u>	<u>8,054,506</u>
Total capital assets being depreciated, net	<u>20,648,288</u>	<u>1,177,614</u>	<u>—</u>	<u>21,825,902</u>
Business-type activities capital assets, net	<u>\$ 20,772,234</u>	<u>\$ 1,177,614</u>	<u>\$ —</u>	<u>\$ 21,949,848</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 29,195
Public safety	324,523
Highways and streets (including depreciation of infrastructure assets)	2,091,416
Culture and recreation	<u>232,133</u>
Total depreciation expense – governmental activities	<u>\$ 2,677,267</u>
Business-type activities:	
Water utility	\$ 172,630
Sewer utility	432,844
Recycling/Trash utility	<u>432</u>
Tot depreciation expense – business-type activities	<u>\$ 605,906</u>

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2010:

	Outstanding January 1, 2010	Additions	Deletions	Outstanding December 31, 2010	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$30,054,000	\$ 6,876,000	\$ 3,046,000	\$ 33,884,000	\$ 3,255,000
Andover Public Building					
Commission revenue					
bonds	3,695,000	4,350,000	143,000	7,902,000	333,000
Certificates of participation	—	79,000	—	79,000	39,000
Andover Public Building					
Commission certificates					
of participation	15,000	—	15,000	—	—
Capital lease obligations	575,191	—	215,695	359,496	69,054
Compensated absences	<u>540,827</u>	<u>246,525</u>	<u>177,484</u>	<u>609,868</u>	<u>199,638</u>
Total long-term liabilities –					
Governmental activities	<u>\$34,880,018</u>	<u>\$11,551,525</u>	<u>\$ 3,597,179</u>	<u>\$ 42,834,364</u>	<u>\$ 3,895,692</u>
<u>Business-type activities</u>					
Revenue bonds	\$ 2,615,000	\$ 2,275,000	\$ 2,865,000	\$ 2,025,000	\$ 290,000
Capital lease obligations	6,313	—	6,313	—	—
Compensated absences	<u>41,899</u>	<u>21,074</u>	<u>14,688</u>	<u>48,285</u>	<u>16,929</u>
Total long-term liabilities –					
Business-Type activities	<u>\$ 2,663,212</u>	<u>\$ 2,296,074</u>	<u>\$ 2,886,001</u>	<u>\$ 2,073,285</u>	<u>\$ 306,929</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2026. At December 31, 2010 the bonds consist of the following:

	Interest rates	Bonds outstanding
Internal Improvements, Series A 1996	5.00 – 7.00%	\$ 45,000
Internal Improvements, Series A 1999	3.90 – 6.90%	240,000
Internal Improvements, Series A 2003	2.55 – 4.50%	1,730,000
Refunding Bonds, Series A 2004	1.25 – 3.60%	280,000
Internal Improvements, Series C 2004	4.03%	1,190,000
Internal Improvements, Series A 2005	3.65 – 4.50%	875,000
Taxable General Obligation Bonds, Series A 2006	5.50 – 5.75%	48,000
General Obligation Bonds, Series 2006	3.75 – 4.60%	2,685,000
General Obligation Bonds, Series A 2007	4.00 – 5.00%	4,555,000
General Obligation Bonds, Series A 2008	3.00 – 5.00%	5,075,000
General Obligation Bonds, Series B 2008	3.00 – 5.25%	2,005,000
General Obligation Refunding Bonds, Series A 2009	1.75 – 3.00%	4,260,000

4. LONG-TERM DEBT (continued)

	<u>Interest rates</u>	<u>Bonds outstanding</u>
General Obligation Refunding Bonds, Series B 2009	1.40 – 3.65%	\$ 4,020,000
General Obligation Bonds, Series A 2010	2.50 – 3.75%	3,968,000
General Obligation Bonds, Series B 2010	2.00 – 4.25%	<u>2,908,000</u>
		<u>\$ 33,884,000</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,255,000	\$ 1,138,976	\$ 4,393,976
2012	3,425,000	1,183,366	4,608,366
2013	3,463,000	1,010,857	4,473,857
2014	3,208,000	902,956	4,110,956
2015	2,954,000	797,427	3,751,427
2016	2,584,000	699,991	3,283,991
2017	2,240,000	610,899	2,850,899
2018	2,055,000	529,937	2,584,937
2019	1,885,000	452,681	2,337,681
2020	1,965,000	375,170	2,340,170
2021	1,785,000	292,807	2,077,807
2022	1,855,000	215,535	2,070,535
2023	1,650,000	136,515	1,786,515
2024	745,000	63,753	808,753
2025	565,000	32,635	597,635
2026	<u>250,000</u>	<u>10,625</u>	<u>260,625</u>
	<u>\$ 33,884,000</u>	<u>\$ 8,454,130</u>	<u>\$ 42,338,130</u>

Capital lease obligations

Certificates of Participation dated May 1, 2003, in the amount of \$240,000 were issued pursuant to a lease purchase agreement between the City, as lessee, and Intrust Bank, N.A. as trustee and lessor. The 2003 Certificates of Participation have interest rates from 2.00% to 4.00%. The Certificates of Participation were issued to finance the acquisition of two fire tanker trucks.

During 2007, the City Council entered into a lease agreement for the purchase of vehicles and equipment for use by the inspection department, police department, fire department and street department. The lease agreement provides for annual payments, including interest, in the amount of \$79,230 through May 2010.

During 2007 the City Council entered into a lease agreement for the purchase of a new fire truck. The lease agreement provides for annual payments, including interest, in the amount of \$50,086 through October 2018.

4. LONG-TERM DEBT (continued)

During 2008 the City Council entered into a lease agreement for the purchase of police vehicles, an inspection department vehicle, a sewer department vehicle and two tornado sirens. The original lease agreement provides for annual payments, including interest, in the amount of \$49,851.

In 2009, the City entered into a lease purchase agreement with a financial institution to purchase Police and Park Department vehicles. The lease agreement provides for annual payments, including interest, of \$25,509 through November 2011. The original commitment under the lease agreement provided for a maximum amount of \$70,000 however, at year-end the City had only incurred purchases totaling \$62,999.

Certificates of Participation dated April 15, 2010, in the amount of \$79,000 were issued pursuant to a lease purchase agreement between the City, as lessee, and Security Bank of Kansas City, as trustee and lessor. The 2010 Certificates of Participation have an interest rate of 2%. The Certificates of Participation were issued to finance the acquisition of two police vehicles and one stormwater utility vehicle.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of the lease inception. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2010, including interest payments, is as follows:

<u>Year ending December 31,</u>	<u>Governmental Funds</u>		
	<u>Vehicles</u>	<u>Fire Trucks</u>	<u>Total</u>
2011	\$ 41,177	\$ 86,486	\$ 127,663
2012	40,800	50,086	90,886
2013	—	50,086	50,086
2014	—	50,086	50,086
2015	—	50,086	50,086
2016	—	50,086	50,086
2017	—	50,086	50,086
2018	—	50,086	50,086
Total minimum lease payments	81,977	437,088	519,065
Less amounts representing interest	(2,977)	(77,592)	(80,569)
Present value of net minimum lease payments	<u>\$ 79,000</u>	<u>\$ 359,496</u>	<u>\$ 438,496</u>

The lease payments are being financed from the City's General Fund with the exception of the sewer utility vehicle which is recorded in the Sewer Utility Fund. The cost and accumulated amortization of the leased vehicles and equipment at December 31, 2010 is \$777,525 and \$601,022, respectively. The cost and accumulated amortization of the leased fire trucks at December 31, 2010 is \$608,794 and \$299,908, respectively. The cost and accumulated amortization of the leased sewer utility vehicle is \$20,897 and \$9,055, respectively.

Andover Public Building Commission revenue bonds

Andover Public Building Commission revenue bonds payable are serial bonds to be retired through calendar year 2030. At December 31, 2010 the bonds consist of the following:

4. LONG-TERM DEBT (continued)

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Park Facilities Revenue Bonds, Series 2001	2.75 – 4.25%	\$ 355,000
Park Facilities Revenue Bonds, Series A 2003	2.50 – 5.00%	705,000
Park Facilities Revenue Bonds, Series A 2004	2.50 – 4.75%	15,000
Park Facilities Revenue Bonds, Series B 2004	4.00 – 6.50%	125,000
Public Safety Facility Revenue Bonds, Series C 2004	4.32%	2,305,000
Park Facilities Revenue Bonds, Series A, 2006	4.25 – 4.50%	47,000
City Hall Facilities Revenue Bonds, Series A 2010	2.50 – 3.75%	<u>4,350,000</u>
		<u>\$ 7,902,000</u>

Remaining debt service requirements for the Andover Public Building Commission revenue bonds will be paid by the Andover Public Building Commission from the lease payments from the City, which are provided with future property tax revenues to be levied in the Special Building Fund and other resources available to the City. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 333,000	\$ 328,014	\$ 661,014
2012	369,000	305,714	674,714
2013	379,000	294,193	673,193
2014	399,000	281,607	680,607
2015	449,000	267,653	716,653
2016	474,000	251,033	725,033
2017	499,000	232,918	731,918
2018	475,000	213,116	688,116
2019	500,000	194,048	694,048
2020	410,000	173,443	583,443
2021	440,000	157,362	597,362
2022	465,000	138,597	603,597
2023	500,000	118,773	618,773
2024	535,000	97,449	632,449
2025	250,000	74,625	324,625
2026	260,000	64,125	324,125
2027	270,000	52,425	322,425
2028	285,000	40,275	325,275
2029	300,000	27,450	327,450
2030	<u>310,000</u>	<u>13,950</u>	<u>323,950</u>
	<u>\$ 7,902,000</u>	<u>\$ 3,326,770</u>	<u>\$ 11,228,770</u>

Andover Public Building Commission Certificates of Participation

Certificates of Participation dated November 15, 2005, in the amount of \$60,000 were issued by the Andover Public Building Commission pursuant to a lease purchase agreement between the City, as lessee, and UMB Bank, N.A., as trustee and lessor. The 2005 Certificates of

4. LONG-TERM DEBT (continued)

Participation has an interest rate of 4.00%. The Certificates of Participation were issued to finance computer equipment for the Police Department. The Certificates of Participation were fully retired during 2010.

Revenue Bonds

On June 15, 2010, the City issued \$2,275,000 of Sewer System Refunding Revenue Bonds Series 2010, bearing interest from .95% to 2.80% with a final maturity on August 1, 2016. The Series 2010 Bonds were issued to advance refund \$2,615,000 of outstanding Sewer System Refunding Revenue Bonds Series 2005. The Series 2005 Bonds were issued in the original amount of \$3,320,000 to advance refund \$3,180,000 of outstanding Sewer System Revenue Bonds, Series 1996.

The Series 2010 bonds maturing in the years 2010 to 2014, inclusive, shall become due without option of prior payment. The Series 2010 Bonds maturing in the years 2015 and thereafter may be called for redemption and payment prior to maturity on August 1, 2014, or at any time thereafter, in whole or in part at the redemption price equal to the principal amount thereof, plus accrued interest thereon to the date established for such redemption and payment.

Annual debt service requirements to maturity for the Sewer System Refunding Revenue Bonds, Series 2010, outstanding at December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 290,000	\$ 41,015	\$ 331,015
2012	310,000	37,390	347,390
2013	330,000	32,740	362,740
2014	350,000	27,130	377,130
2015	360,000	19,780	379,780
2016	<u>385,000</u>	<u>10,780</u>	<u>395,780</u>
	<u>\$ 2,025,000</u>	<u>\$ 168,835</u>	<u>\$ 2,193,835</u>

The Sewer System Refunding Revenue Bond resolution provides for deposits to: (a) a debt service account each month to provide for the payment of principal and interest on the bonds as they become due and payable and (b) a surplus reserve account for all remaining moneys available after setting aside moneys for the debt service account and retaining amounts required for operation and maintenance of the system for a 60 day period in the operating account of the sewer system. The surplus reserve account may be used for any one or more of the following purposes as determined by the Governing Body: (1) to pay operating, maintenance and repair expenses of the system; (2) to pay the costs of repairs to or extending, enlarging or improving the system; (3) to prevent default in, anticipating payments into or increasing the amounts in the other reserve accounts, or any one of them, or establishing or increasing the amount of any principal and interest account or bond reserve account created by the City for the payment of any parity bonds; (4) to call, redeem and pay prior to maturity, or at the option of the City, purchasing in the open market at the best price obtainable the bonds or any parity bonds; (5) to make transfer to the revenue fund; or (6) to make lawful transfers to any fund of the City. The resolution also provides for user rates to be established at a level which will generate net income (as defined in the resolution) at an amount not less than 125% of the debt service requirements required to be paid by the City in such fiscal year on all system revenue bonds at the time outstanding. At December 31, 2010, the City was in compliance with the reserve requirements of the revenue bond resolution.

4. LONG-TERM DEBT (continued)

Conduit Debt

The City has issued limited obligation bonds for the purpose of financing capital activities of unrelated third parties. Although conduit debt obligations bear the name of the City, they are payable solely from resources provided by leases with third parties on whose behalf they were issued. The total amount of these limited obligation bonds outstanding at December 31, 2010 was \$28,823,447. During 2010, there were no new bonds issued and \$5,988,949 of bonds retired. The bonds do not constitute an indebtedness or pledge of the faith or credit of the City of Andover, and accordingly, are not included as liabilities in the accompanying financial statements.

Compensated Absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

5. TEMPORARY NOTES

Kansas statutes permit the issuance of temporary notes to finance certain capital improvement projects which will be refinanced with general obligation bonds or paid through other resources available to the City. Prior to the issuance of the temporary notes, the governing body must take the necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. During 2010, the City issued \$3,833,000 and retired \$927,000 of temporary notes. At December 31, 2010 the City had the following outstanding temporary notes:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Construction Fund:			
Temporary Improvement Notes, Series A, 2009:			
Cornerstone 3 rd Addition	2.00%	\$ 3,076,000	10-01-11
Crescent Lakes 5 th Addition	2.00%	2,604,000	10-01-11
Temporary Improvement Notes, Series A, 2010:			
Prairie Creek Addition	2.00%	2,895,000	12-1-12
Andover Landing Addition	2.00%	<u>938,000</u>	12-1-12
Total		<u>\$ 9,513,000</u>	

During 2010, the temporary note activity for the various capital improvement projects were as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 6,607,000	\$ 3,833,000	\$ 927,000	\$ 9,513,000

6. SEWAGE TREATMENT RESERVES

Sewage treatment expansion reserve

The City Council has, by ordinance, established a new sewer connection surcharge at a fixed amount (currently \$1,500 for inside City residents). The funds collected from this surcharge are restricted for either: (a) the future expansion of the sewage treatment plant or (b) at the discretion of the governing body may be used to reduce the general tax levy in the debt service fund which is levied to fund past sewer expansion costs.

Sewage equipment reserve

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future acquisition of equipment. Retained earnings have been reserved for the portion of assets legally restricted for future equipment acquisitions.

7. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2010, individual project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2010</u>
Industrial Park Improvement Project	\$ 50,000	\$ 4,543
Cornerstone Commercial/School Project	910,650	871,900
Mike/May/Main Street Project	1,000,000	722,384
Crescent Lakes V Addition	3,200,000	2,648,962
Serendipity Addition Improvement Project	222,655	133,189
Cedar Park 4 th Addition Project	2,611,000	6,536
21 st Street Paving Project	299,580	280,804
Prairie Creek Addition Project	4,655,000	1,480,706
The Village at Flint Hills Addition Improvement Project	2,101,000	435
Reflection Lake at Cloud City 3rd Addition Improvement Project	1,093,609	984,520
Market Place East Improvement Project	3,930,366	3,893,116
Andover Landing Improvement Project	2,482,100	172,785
Andover Public Library Building Project	3,089,069	3,069,532
Andover Public Building Commission City Hall Building Project	6,000,000	4,209,998

8. PENSION PLANS

All full-time employees, except for police and fire employees, participate in the City's Simplified Employee Pension Plan ("Plan"), a single-employer defined contribution retirement plan. The payroll for employees covered by the Plan was \$2,291,100 and the City's total payroll was \$3,290,158 for the year ended December 31, 2010. All full-time employees are eligible to participate in the Plan after six months of continuous employment. Benefits are fully vested upon eligibility to participate in the Plan. The employer's contribution, as required by the Plan document, for 2010 was based upon 6% of gross

8. PENSION PLANS (continued)

compensation and was \$137,466. Employees are not required to make contributions to the Plan but are allowed to make elective contributions, however, the tax deferral of such contributions is dependent upon each individual's situation. During 2010, there were no employees' elective contributions made through payroll deductions. All contributions are paid directly to the Plan Administrator, AXA Financial, Inc., in the name of the individual employees and the accounts are 100% vested at the time of contribution. The City retains no ownership rights to the accounts and, accordingly, the account balances are not included within the financial statements of the City. The City holds no investments of the Plan or any of its related parties. The City Council may amend or discontinue the Plan at any time. There were no changes to the Plan provisions during 2010.

The City began contributing to the Kansas Police and Firemen's Retirement System (KP&F) effective January 1, 2007. KP&F is a cost-sharing multiple-employer defined benefit pension plan as provide by K.S.A. 74-4901, et seq. KP&F provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KP&F issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KP&F (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4975 establishes KP&F member-employee contribution at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KP&F is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rate. The KP&F employer rate established for the calendar year ended December 31, 2010 was 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2010, 2009 and 2008 were \$201,472, \$195,127 and \$184,348, respectively, equal to the required contributions for each year.

9. INTERFUND TRANSFERS

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. A summary of interfund transfers by individual fund is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ -	\$ 146,100
Street Improvement	66,852	926,589
Debt Service	379,390	-
Capital Projects	1,090,179	189,662
Water Utility	-	299,159
Sewer Utility	-	121,011
	<u>1,536,421</u>	<u>1,682,521</u>
Nonmajor Funds:		
Special Building	68,883	309,086
Park Improvement	-	68,883

9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Street Machinery and Bridge Building	\$ 45,000	\$ —
Capital Equipment Reserve	101,100	—
Andover Public Building Commission	<u>309,086</u>	<u>—</u>
	<u>524,069</u>	<u>377,969</u>
Total transfers	<u>\$ 2,060,490</u>	<u>\$ 2,060,490</u>

Routine transfers from the Special Building Fund to the Andover Public Building Commission in the amount of \$309,086 are related to lease agreements between the City and the Public Building Commission.

Transfers from the General Fund to the Street Machinery and Bridge Building Fund and Capital Equipment Reserve Fund in the amounts of \$45,000 and \$101,100, respectively, are related to improvement and equipment replacement reserves.

The Special Building Fund received \$68,883 non-routine transfers from the Park Improvement Fund to assist in the lease payments from the City to the Public Building Commission.

The Debt Service Fund received non-routine transfers from the Street Improvement Fund and Water Utility Fund in the amounts of \$146,700 and \$181,470, respectively, to forestall the need for a property tax increase in the Debt Service Fund. In addition, the Debt Service Fund received \$51,220 of non-routine transfers from the Capital Projects Fund for excess funds available upon completion of improvement projects funded by general obligation bonds.

The Street Improvement Fund transferred to the Capital Projects Fund the amount of \$779,889 to provide funding for the City portion of various street improvement projects. The Water Utility and Sewer Utility Funds also transferred to the Capital Projects Fund to provide funding for the City portion of improvement project costs.

10. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from the data presented in accordance with generally accepted accounting principles (GAAP). The following reconciliation's are presented to provide a correlation between the different basis of reporting for budgeted governmental fund types:

	<u>General Fund</u>	<u>Street Improve- ment Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balances at December 31, 2010	\$1,918,050	\$1,585,842	\$1,029,435	\$3,030,875
Adjustments:				
Reserved for encumbrances (budgeted funds only)	(78,039)	—	—	(192,520)
Accrued sales tax revenues	—	(121,851)	—	—
Accrued franchise fee revenues	(85,662)	—	—	—
Accrued telephone tax revenues	—	—	—	(9,372)

10. BUDGETARY DATA (continued)

	General Fund	Street Improve- ment Fund	Debt Service Fund	Other Nonmajor Governmental Funds
Accrued accounts receivable	\$ -	\$ -	\$ -	\$ (11,603)
Funds held by trustee related to certificates of participation (at beginning of year)	(1,451)	-	-	-
Unreserved fund balances not subject to the Kansas budget law	-	-	-	(990,401)
Budgetary Fund Balances at December 31, 2010	<u>\$1,752,898</u>	<u>\$1,463,991</u>	<u>\$1,029,435</u>	<u>\$1,826,979</u>

11. FUND DEFICITS

At December 31, 2010, the Capital Projects Fund had incurred a fund deficit in the amount of \$7,859,334. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2010, or through other revenue sources available to the City.

12. COMPLIANCE WITH KANSAS LAW

Kansas statutes (K.S.A. 79-3249) prohibit expenditures in excess of the adopted budget of individual funds. During 2010, the expenditures of the Recycling/Trash Utility Fund exceeded its adopted budget in the amount of \$179,107. This situation is the result of the originally adopted budget only including the City's administrative fee and not all charges and expenditures to the third-party contractor for the City's recycling and trash service.

13. ADVANCE REFUNDING

On June 15, 2010, the City entered into an advance refunding transaction whereby it issued \$2,275,000 of Sewer System Refunding Revenue Bonds Series 2010 with interest rates from .95% to 2.80%, to advance refund \$2,615,000 of outstanding Sewer System Refunding Revenue Bonds Series 2005 with interest rates from 3.50% to 4.00%. Proceeds from the Series 2010 Refunding Revenue Bonds in the amount of \$2,212,107, 2005 Bond Reserve funds of \$332,000 and funds on hand of \$112,586 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all debt service payments on the refunded Series 2005 Refunding Revenue Bonds to the redemption date. The Series 2010 Refunding Revenue Bonds were called for redemption and payment on July 1, 2010.

The City advance refunded the Series 2010 Refunding Revenue Bonds to reduce its total debt service payments over the next 6 years by \$487,197 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$470,848.

14. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The City provides no other postemployment benefits, other than retirement plans, to former employees of the City.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

15. COMMITMENTS AND CONTINGENCIES

The City has certain projects for the construction of streets, water lines, sewer lines and storm drainage improvements related to new housing developments and other improvement projects. These improvement projects are included within the Capital Projects Fund in the City's financial statements. At December 31, 2010, the City had outstanding construction and engineering commitments related to these projects in the amount of \$2,266,794. Funding for the improvement projects will be provided from long-term debt sources, reimbursements from the local developers and other resources available to the City.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the City Council authorized the issuance and sale of General Obligation Bonds, Series A 2011, in the principal amount of \$5,958,000 with an average interest rate of 3.461%. The proceeds of the bonds will be utilized to provide permanent financing for various capital improvement projects.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

Special Highway - to account for street maintenance operations. Financing is provided through motor fuel taxes distributed from the State of Kansas special City and County highway fund.

Employee Benefits - to account for the City's portion of social security, retirement, workmen's compensation and unemployment insurance contributions applicable to governmental funds' payrolls. Financing is provided by taxes.

Library - to account for the City's tax levy funding of the operation of the municipal library. Financing is provided by a specific tax levy.

Special Building - to account for lease payments for public service, public safety and library facilities. Financing is provided for by a specific tax levy.

Hotel and Tourism - to account for the administration of the Transient Guest Tax. All moneys are to be expended for convention and tourism promotion per applicable State statutes.

Park Improvement - to account for the resources received for park improvement activities. Financing is principally provided by fireworks permits and alcohol tax.

Emergency 911 - to account for telephone tax revenue and other financing sources used to purchase and maintain emergency communication equipment and systems.

Street Impact Fee - to account for the assessments on new home construction for use in construction or improvement of arterial streets.

Municipal Golf Course - to account for the operations of the City owned golf course. Financing is provided through a lease arrangement for management of the course.

Park Impact Fee - to account for the assessments on new home construction for use in construction and maintenance of the City's park system.

Storm Water Utility - to account for resources made available for repair and improvement to the City's storm water system.

Festivals - to account for resources from local donations and fund raising efforts for the promotion and operation of the annual "Greater Andover Days" festival.

Highway Improvement - to account for street improvement and maintenance operations. Financing is provided by transfers from the special highway fund at the discretion of the City Council, with certain limitations as provided in applicable state statutes.

Street Machinery and Bridge Building - to account for acquisitions of street building machinery and equipment. Financing is provided for by transfers from the special highway fund at the discretion of the City Council with certain limitations as provided in applicable state statutes.

Capital Equipment Reserve - to accumulate resources to be used for new or replacement equipment. Financing is provided through annual transfers that must be budgeted and can be from any source which may be lawfully utilized for such purposes.

Festivals - to account for resources received for use in conducting festival activities.

Andover Public Building Commission - the Andover Public Building Commission is a component unit of the City is to account for the acquisition and subsequent debt service of public buildings used by the City. Financing is provided through lease payments received from the City.

CITY OF ANDOVER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
(continued on next page)

December 31, 2010

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Library</u>	<u>Special Building</u>	<u>Hotel and Tourism</u>	<u>Park Improve- ment</u>	<u>Emergency 911</u>	<u>Street Impact Fee</u>	<u>Municipal Golf Course</u>
<u>ASSETS</u>									
Cash and short-term investments	\$ 185,531	\$ 236,995	\$ 16,136	\$ 49,959	\$ 133,452	\$ 336,195	\$ 99,844	\$ 398,021	\$ 3,757
Due from other funds	—	—	—	—	—	—	—	—	—
Accounts receivable	—	—	—	—	—	—	9,372	—	—
Taxes receivable	—	<u>1,155,539</u>	<u>330,990</u>	<u>199,114</u>	—	—	—	—	—
Total assets	<u>\$ 185,531</u>	<u>\$ 1,392,534</u>	<u>\$ 347,126</u>	<u>\$ 249,073</u>	<u>\$ 133,452</u>	<u>\$ 336,195</u>	<u>\$ 109,216</u>	<u>\$ 398,021</u>	<u>\$ 3,757</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts payable	\$ 7,763	\$ —	\$ —	\$ —	\$ 840	\$ —	\$ —	\$ —	\$ —
Deferred revenue	—	<u>1,155,539</u>	<u>330,990</u>	<u>199,114</u>	—	—	—	—	—
Total liabilities	<u>7,763</u>	<u>1,155,539</u>	<u>330,990</u>	<u>199,114</u>	<u>840</u>	—	—	—	—
Fund balances:									
Reserved for encumbrances	—	—	—	—	—	—	55,540	—	—
Unreserved:									
Designated for subsequent years' expenditures	177,768	139,316	16,136	49,959	78,143	292,709	53,676	80,736	3,749
Undesignated	—	<u>97,679</u>	—	—	<u>54,469</u>	<u>43,486</u>	—	<u>317,285</u>	<u>8</u>
Total fund balances	<u>177,768</u>	<u>236,995</u>	<u>16,136</u>	<u>49,959</u>	<u>132,612</u>	<u>336,195</u>	<u>109,216</u>	<u>398,021</u>	<u>3,757</u>
Total liabilities and fund balances	<u>\$ 185,531</u>	<u>\$ 1,392,534</u>	<u>\$ 347,126</u>	<u>\$ 249,073</u>	<u>\$ 133,452</u>	<u>\$ 336,195</u>	<u>\$ 109,216</u>	<u>\$ 398,021</u>	<u>\$ 3,757</u>

CITY OF ANDOVER, KANSAS
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
(continued from previous page)

December 31, 2010

	<u>Park Impact Fee</u>	<u>Storm Water Utility</u>	<u>Festivals</u>	<u>Highway Improve- ment</u>	<u>Street Machinery and Bridge Building</u>	<u>Capital Equipment Reserve</u>	<u>Andover Public Building Commission</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>								
Cash and short-term investments	\$ 490,228	\$ 75,679	\$ 26,887	\$ 85,533	\$ 265,564	\$ 639,304	\$ –	\$ 3,043,085
Cash held by trustee	–	1,585	–	–	–	–	–	1,585
Due from other funds	–	–	–	–	–	–	–	–
Accounts receivable	–	11,601	–	–	–	–	–	20,973
Taxes receivable	–	–	–	–	–	–	–	1,685,643
Total assets	<u>\$ 490,228</u>	<u>\$ 88,865</u>	<u>\$ 26,887</u>	<u>\$ 85,533</u>	<u>\$ 265,564</u>	<u>\$ 639,304</u>	<u>\$ –</u>	<u>\$ 4,751,286</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 26,078	\$ –	\$ 87	\$ –	\$ –	\$ –	\$ –	\$ 34,768
Unearned revenue	–	–	–	–	–	–	–	1,685,643
Total liabilities	<u>26,078</u>	<u>–</u>	<u>87</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,720,411</u>
Fund balances:								
Reserved for encumbrances	136,980	–	–	–	–	–	–	192,520
Unreserved:								
Designated for subsequent years' expenditures	152,784	35,308	24,353	–	–	–	–	1,104,637
Undesignated	<u>174,386</u>	<u>53,557</u>	<u>2,447</u>	<u>85,533</u>	<u>265,564</u>	<u>639,304</u>	<u>–</u>	<u>1,733,718</u>
Total fund balances	<u>464,150</u>	<u>88,865</u>	<u>26,800</u>	<u>85,533</u>	<u>265,564</u>	<u>639,304</u>	<u>–</u>	<u>3,030,875</u>
Total liabilities and fund balances	<u>\$ 490,228</u>	<u>\$ 88,865</u>	<u>\$ 26,887</u>	<u>\$ 85,533</u>	<u>\$ 265,564</u>	<u>\$ 639,304</u>	<u>\$ –</u>	<u>\$ 4,751,286</u>

CITY OF ANDOVER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**
(continued on next page)

Year ended December 31, 2010

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Library</u>	<u>Special Building</u>	<u>Hotel and Tourism</u>	<u>Park Improve- ment</u>	<u>Emergency 911</u>	<u>Street Impact Fee</u>	<u>Municipal Golf Course</u>
Revenues:									
Taxes	\$ -	\$1,146,303	\$ 386,428	\$ 248,015	\$ 76,391	\$ -	\$ 41,296	\$ -	\$ -
Intergovernmental	327,035	-	-	-	-	45,585	-	-	-
Licenses and permits	-	-	-	-	-	60,000	-	52,765	-
Charges for services	759	-	-	-	-	-	-	-	-
Use of money and property	744	1,081	7	291	255	36,650	227	870	8
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>328,538</u>	<u>1,147,384</u>	<u>386,435</u>	<u>248,306</u>	<u>76,646</u>	<u>142,235</u>	<u>41,523</u>	<u>53,635</u>	<u>8</u>
Expenditures:									
General government	-	133,132	-	-	-	-	-	-	-
Public Safety	-	735,357	-	-	-	-	43,359	-	-
Highways and streets	456,998	90,415	-	-	-	-	-	-	-
Health and sanitation	-	106,043	-	-	-	-	-	-	-
Culture and recreation	-	90,067	370,300	-	-	10,884	-	-	-
Environmental protection	-	2,663	-	-	-	-	-	-	-
Economic development	-	-	-	-	22,178	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>456,998</u>	<u>1,157,677</u>	<u>370,300</u>	<u>-</u>	<u>22,178</u>	<u>10,884</u>	<u>43,359</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(128,460)</u>	<u>(10,293)</u>	<u>16,135</u>	<u>248,306</u>	<u>54,468</u>	<u>131,351</u>	<u>(1,836)</u>	<u>53,635</u>	<u>8</u>
Other financing sources (uses):									
Proceeds from certificates of participation	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	68,883	-	-	-	-	-
Transfers out	-	-	-	(309,086)	-	(68,883)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,203)</u>	<u>-</u>	<u>(68,883)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(128,460)</u>	<u>(10,293)</u>	<u>16,135</u>	<u>8,103</u>	<u>54,468</u>	<u>62,468</u>	<u>(1,836)</u>	<u>53,635</u>	<u>8</u>
Fund balances, beginning of year	<u>306,228</u>	<u>247,288</u>	<u>1</u>	<u>41,856</u>	<u>78,144</u>	<u>273,727</u>	<u>111,052</u>	<u>344,386</u>	<u>3,749</u>
Fund balances, end of year	<u>\$ 177,768</u>	<u>\$ 236,995</u>	<u>\$ 16,136</u>	<u>\$ 49,959</u>	<u>\$ 132,612</u>	<u>\$ 336,195</u>	<u>\$ 109,216</u>	<u>\$ 398,021</u>	<u>\$ 3,757</u>

CITY OF ANDOVER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS**
(continued from previous page)

Year ended December 31, 2010

	<u>Park Impact Fee</u>	<u>Storm Water Utility</u>	<u>Festivals</u>	<u>Highway Improve- ment</u>	<u>Street Machinery and Bridge Building</u>	<u>Capital Equipment Reserve</u>	<u>Andover Public Building Commission</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,898,433
Intergovernmental	-	-	-	-	-	-	-	372,620
Licenses and permits	45,225	-	-	-	-	-	-	157,990
Charges for services	-	97,486	-	-	-	-	-	98,245
Use of money and property	1,132	138	60	195	593	1,248	-	43,499
Miscellaneous	-	-	31,313	-	-	-	-	31,313
Total revenues	<u>46,357</u>	<u>97,624</u>	<u>31,373</u>	<u>195</u>	<u>593</u>	<u>1,248</u>	<u>-</u>	<u>2,602,100</u>
Expenditures:								
General government	-	-	-	-	-	-	-	133,132
Public safety	-	-	-	-	-	-	-	778,716
Highways and streets	-	93,272	-	-	38,099	-	-	678,784
Health and sanitation	-	-	-	-	-	-	-	106,043
Culture and recreation	51,581	-	28,926	-	-	-	-	551,758
Environmental protection	-	-	-	-	-	-	-	2,663
Economic development	-	-	-	-	-	-	-	22,178
Debt service	-	-	-	-	-	-	309,086	309,086
Total expenditures	<u>51,581</u>	<u>93,272</u>	<u>28,926</u>	<u>-</u>	<u>38,099</u>	<u>-</u>	<u>309,086</u>	<u>2,582,360</u>
Revenues over (under) expenditures	<u>(5,224)</u>	<u>4,352</u>	<u>2,447</u>	<u>195</u>	<u>(37,506)</u>	<u>1,248</u>	<u>(309,086)</u>	<u>19,740</u>
Other financing sources (uses):								
Proceeds from certificates of participation	-	8,234	-	-	-	-	-	8,234
Transfers in	-	-	-	-	45,000	101,100	309,086	524,069
Transfers out	-	-	-	-	-	-	-	(377,969)
Total other financing sources (uses)	<u>-</u>	<u>8,234</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>101,100</u>	<u>309,086</u>	<u>154,334</u>
Net change in fund balances	<u>(5,224)</u>	<u>12,586</u>	<u>2,447</u>	<u>195</u>	<u>7,494</u>	<u>102,348</u>	<u>-</u>	<u>174,074</u>
Fund balances, beginning of year	<u>469,374</u>	<u>76,279</u>	<u>24,353</u>	<u>85,338</u>	<u>258,070</u>	<u>536,956</u>	<u>-</u>	<u>2,856,801</u>
Fund balances, end of year	<u>\$ 464,150</u>	<u>\$ 88,865</u>	<u>\$ 26,800</u>	<u>\$ 85,533</u>	<u>\$ 265,564</u>	<u>\$ 639,304</u>	<u>\$ -</u>	<u>\$ 3,030,875</u>

CITY OF ANDOVER, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 372,522	\$ 372,522	\$ 327,035	\$ (45,487)
Charges for services	—	—	759	759
Use of money and property	<u>200</u>	<u>—</u>	<u>744</u>	<u>744</u>
Total revenues	<u>372,722</u>	<u>372,522</u>	<u>328,538</u>	<u>(43,984)</u>
Expenditures and other uses:				
Personal services	50,000	50,000	50,000	—
Contractual services	93,778	93,778	90,177	3,601
Commodities	190,075	190,075	188,295	1,780
Capital Outlay	<u>—</u>	<u>125,000</u>	<u>125,000</u>	<u>—</u>
Total expenditures and other uses	<u>333,853</u>	<u>458,853</u>	<u>453,472</u>	<u>5,381</u>
Revenues over expenditures and other uses	38,869	(86,331)	(124,934)	(38,603)
Fund balance, beginning of year	<u>316,221</u>	<u>316,221</u>	<u>302,702</u>	<u>(13,519)</u>
Fund balance, end of year	<u>\$ 355,090</u>	<u>\$ 229,890</u>	<u>\$ 177,768</u>	<u>\$ (52,122)</u>

CITY OF ANDOVER, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,106,731	\$1,106,731	\$ 1,146,303	\$ 39,572
Use of money and property	<u>500</u>	<u>500</u>	<u>1,081</u>	<u>581</u>
Total revenues	1,107,231	1,107,231	1,147,384	40,153
Expenditures:				
Personal services	<u>1,285,827</u>	<u>1,285,827</u>	<u>1,157,677</u>	<u>128,150</u>
Revenues over (under)				
expenditures	(178,596)	(178,596)	(10,293)	168,303
Fund balance,				
beginning of year	<u>188,596</u>	<u>188,596</u>	<u>247,288</u>	<u>58,692</u>
Fund balance, end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 236,995</u>	<u>\$ 226,995</u>

CITY OF ANDOVER, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 370,300	\$ 370,300	\$ 386,428	\$ 16,128
Use of money and property	<u>—</u>	<u>—</u>	<u>7</u>	<u>7</u>
Total revenues	370,300	370,300	386,435	16,135
Expenditures and other uses:				
Appropriations to Library Board	<u>370,300</u>	<u>370,300</u>	<u>370,300</u>	<u>—</u>
Revenues over (under) expenditures and other uses	—	—	16,135	16,135
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Fund balance, end of year	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 16,136</u></u>	<u><u>\$ 16,136</u></u>

CITY OF ANDOVER, KANSAS

SPECIAL BUILDING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$244,028	\$244,028	\$248,015	\$ 3,987
Use of money and property	200	200	291	91
Transfers in	<u>68,383</u>	<u>68,383</u>	<u>68,883</u>	<u>500</u>
Total revenues and other sources	<u>312,611</u>	<u>312,611</u>	<u>317,189</u>	<u>4,578</u>
Expenditures and other uses:				
Cash reserve	40,000	40,000	—	40,000
Transfers out	<u>309,129</u>	<u>309,129</u>	<u>309,086</u>	<u>43</u>
Total expenditures and other uses	<u>349,129</u>	<u>349,129</u>	<u>309,086</u>	<u>40,043</u>
Revenues and other sources over expenditures and other uses	(36,518)	(36,518)	8,103	44,621
Fund balance, beginning of year	<u>51,518</u>	<u>51,518</u>	<u>41,856</u>	<u>(9,662)</u>
Fund balance, end of year	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 49,959</u>	<u>\$ 34,959</u>

CITY OF ANDOVER, KANSAS

HOTEL AND TOURISM FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Motel tax	\$ 60,000	\$ 60,000	\$ 76,391	\$ 16,391
Use of money and property	<u>—</u>	<u>—</u>	<u>255</u>	<u>255</u>
Total revenues	60,000	60,000	76,646	16,646
Expenditures:				
Contractual services	<u>60,000</u>	<u>60,000</u>	<u>22,178</u>	<u>37,822</u>
Revenues over (under) expenditures	—	—	54,468	54,468
Fund balance, beginning of year	<u>25,050</u>	<u>25,050</u>	<u>78,144</u>	<u>53,094</u>
Fund balance, end of year	<u>\$ 25,050</u>	<u>\$ 25,050</u>	<u>\$132,612</u>	<u>\$107,562</u>

CITY OF ANDOVER, KANSAS

PARK IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 37,212	\$ 37,212	\$ 45,585	\$ 8,373
Licenses, permits and fees	37,500	37,500	60,000	22,500
Use of money and property	32,947	32,948	36,650	3,702
Miscellaneous	<u>—</u>	<u>—</u>	<u>1,198</u>	<u>1,198</u>
Total revenues	<u>107,659</u>	<u>107,660</u>	<u>143,433</u>	<u>35,773</u>
Expenditures:				
Contractual services	—	16,500	10,319	6,181
Debt Service	<u>68,883</u>	<u>68,883</u>	<u>68,883</u>	<u>—</u>
Total expenditures	<u>68,883</u>	<u>85,383</u>	<u>79,202</u>	<u>6,181</u>
Revenues over (under) expenditures	38,776	22,277	64,231	41,954
Fund balance, beginning of year	<u>216,153</u>	<u>270,432</u>	<u>271,964</u>	<u>1,532</u>
Fund balance, end of year	<u>\$ 254,929</u>	<u>\$ 292,709</u>	<u>\$ 336,195</u>	<u>\$ 43,486</u>

CITY OF ANDOVER, KANSAS

EMERGENCY 911 FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Telephone tax	\$ 46,500	\$ 46,500	\$ 39,689	\$ (6,811)
Use of money and property	<u>100</u>	<u>100</u>	<u>227</u>	<u>127</u>
Total revenues	46,600	46,600	39,916	(6,684)
Expenditures:				
Contractual services	<u>57,100</u>	<u>100,100</u>	<u>98,899</u>	<u>1,201</u>
Expenditures over revenues	(10,500)	(53,500)	(58,983)	(5,483)
Fund balance, beginning of year	<u>95,434</u>	<u>95,434</u>	<u>103,287</u>	<u>7,853</u>
Fund balance, end of year	<u>\$ 84,934</u>	<u>\$ 41,934</u>	<u>\$ 44,304</u>	<u>\$ 2,370</u>

CITY OF ANDOVER, KANSAS

STREET IMPACT FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 25,950	\$ 25,950	\$ 52,765	\$ 26,815
Use of money and property	<u>400</u>	<u>400</u>	<u>870</u>	<u>470</u>
Total revenues	26,350	26,350	53,635	27,285
Expenditures:				
Capital outlay	<u>40,000</u>	<u>290,000</u>	<u>—</u>	<u>290,000</u>
Revenues over (under) expenditures	(13,650)	(263,650)	53,635	317,285
Fund balance, beginning of year	<u>116,728</u>	<u>344,386</u>	<u>344,386</u>	<u>—</u>
Fund balance, end of year	<u>\$103,078</u>	<u>\$ 80,736</u>	<u>\$ 398,021</u>	<u>\$ 317,285</u>

CITY OF ANDOVER, KANSAS

MUNICIPAL GOLF COURSE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ –	\$ –	\$ 8	\$ 8
Expenditures:				
Commodities	<u> –</u>	<u> –</u>	<u> –</u>	<u> –</u>
Revenues over expenditures	–	–	8	8
Fund balance, beginning of year	<u> 3,738</u>	<u> 3,738</u>	<u> 3,749</u>	<u> 11</u>
Fund balance, end of year	<u>\$ 3,738</u>	<u>\$ 3,738</u>	<u>\$ 3,757</u>	<u>\$ 19</u>

CITY OF ANDOVER, KANSAS

PARK IMPACT FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 20,250	\$ 20,250	\$ 45,225	\$ 24,975
Use of money and property	<u>750</u>	<u>750</u>	<u>1,132</u>	<u>382</u>
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>46,357</u>	<u>25,357</u>
Expenditures:				
Contractual services	—	—	2,970	(2,970)
Capital outlay	<u>70,000</u>	<u>170,500</u>	<u>18,502</u>	<u>151,998</u>
Total expenditures	<u>70,000</u>	<u>170,500</u>	<u>21,472</u>	<u>149,028</u>
Revenues over (under) expenditures	(49,000)	(149,500)	24,885	174,385
Fund balance, beginning of year	<u>231,047</u>	<u>302,284</u>	<u>302,284</u>	<u>—</u>
Fund balance, end of year	<u>\$ 182,047</u>	<u>\$ 152,784</u>	<u>\$ 327,169</u>	<u>\$ 174,385</u>

CITY OF ANDOVER, KANSAS
STORM WATER UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees	\$ 88,001	\$ 88,001	\$ 111,989	\$ 23,988
Use of money and property	50	50	138	88
Proceeds from certificates of participation	<u>—</u>	<u>—</u>	<u>8,234</u>	<u>8,234</u>
Total revenues	<u>88,051</u>	<u>88,051</u>	<u>120,361</u>	<u>32,310</u>
Expenditures:				
Personal services	70,867	70,867	69,558	1,309
Contractual services	6,050	6,050	6,088	(38)
Commodities	6,000	6,000	1,681	4,319
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>15,946</u>	<u>4,054</u>
Total expenditures	<u>102,917</u>	<u>102,917</u>	<u>93,273</u>	<u>9,644</u>
Revenues over expenditures	(14,866)	(14,866)	27,088	41,954
Fund balance, beginning of year	<u>35,526</u>	<u>35,526</u>	<u>50,175</u>	<u>14,649</u>
Fund balance, end of year	<u>\$ 20,660</u>	<u>\$ 20,660</u>	<u>\$ 77,263</u>	<u>\$ 56,603</u>

CITY OF ANDOVER, KANSAS

FESTIVALS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ –	\$ –	\$ 60	\$ 60
Miscellaneous	<u>40,000</u>	<u>40,000</u>	<u>31,313</u>	<u>(8,687)</u>
Total revenues and other sources	<u>40,000</u>	<u>40,000</u>	<u>31,373</u>	<u>(8,627)</u>
Expenditures:				
Contractual services	20,000	20,000	20,171	(171)
Commodities	<u>20,000</u>	<u>20,000</u>	<u>8,755</u>	<u>11,245</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>28,926</u>	<u>11,074</u>
Revenues and other sources over expenditures	–	–	2,447	2,447
Fund balance, beginning of year	<u>–</u>	<u>–</u>	<u>24,353</u>	<u>24,353</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 26,800</u>	<u>\$ 26,800</u>

CITY OF ANDOVER, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 295,368	\$ 295,368	\$ 299,841	\$ 4,473
Special assessments	3,491,786	3,491,786	3,959,144	467,358
Use of money and property	15,000	15,000	4,198	(10,802)
Transfers in	<u>256,579</u>	<u>256,579</u>	<u>379,390</u>	<u>122,811</u>
Total revenues and other sources	<u>4,058,733</u>	<u>4,058,733</u>	<u>4,642,573</u>	<u>583,840</u>
Expenditures and other uses:				
Bond Principal	3,039,000	3,039,000	3,039,000	—
Bond interest and commission	1,176,282	1,176,282	1,176,367	(85)
Other debt Service	83,509	83,509	54,621	28,888
Cash basis reserve	<u>250,000</u>	<u>250,000</u>	<u>—</u>	<u>250,000</u>
Total expenditures and other uses	<u>4,548,791</u>	<u>4,548,791</u>	<u>4,269,988</u>	<u>278,803</u>
Revenues and other sources over (under) expenditures and other uses	(490,058)	(490,058)	372,585	862,643
Fund balance, beginning of year	<u>555,058</u>	<u>555,058</u>	<u>656,850</u>	<u>101,792</u>
Fund balance, end of year	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$1,029,435</u>	<u>\$ 961,435</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Water Utility - to account for the maintenance of the water distribution system. Financing is provided by user charges.

Sewer Utility - to account for the operation and maintenance of the sewer system and sewage treatment plant. Financing is provided by user charges.

Recycling/Trash Utility – to account for the operations of the recycling/trash operations. Financing is provided by user charges. The City contracts with a third-party service provider for the collection and disposal activities and performs the billing and collection functions.

CITY OF ANDOVER, KANSAS

WATER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ 112,649	\$ 12,649
Use of money and property	<u>450</u>	<u>450</u>	<u>431</u>	<u>(19)</u>
Total revenues	<u>100,450</u>	<u>100,450</u>	<u>113,080</u>	<u>12,630</u>
Expenditures, encumbrances and other uses:				
Personal services	20,246	20,246	20,543	(297)
Contractual services	—	2,606	4,000	(1,394)
Capital Outlay	31,500	283,748	—	283,748
Transfers out	<u>28,400</u>	<u>28,400</u>	<u>299,159</u>	<u>(270,759)</u>
Total expenditures, encumbrances and other uses	<u>80,146</u>	<u>335,000</u>	<u>323,702</u>	<u>11,298</u>
Revenues over (under) expenditures, encumbrances and other uses	20,304	(234,550)	(210,622)	23,928
Fund balance, beginning of year	<u>25,615</u>	<u>283,625</u>	<u>283,625</u>	<u>—</u>
Fund balance, end of year	<u>\$ 45,919</u>	<u>\$ 49,075</u>	<u>\$ 73,003</u>	<u>\$ 23,928</u>

CITY OF ANDOVER, KANSAS

SEWER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS

Year Ended December 31, 2010

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 982,250	\$ 982,250	\$1,201,680	\$ 219,430
Use of money and property	10,353	10,353	6,540	(3,813)
Miscellaneous	19,000	19,000	26,163	7,163
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>—</u>
Total revenues	<u>1,111,603</u>	<u>1,111,603</u>	<u>1,334,383</u>	<u>222,780</u>
Expenditures, encumbrances and other uses:				
Personal services	391,460	391,460	341,416	50,044
Contractual services	302,975	302,975	271,542	31,433
Commodities	79,100	79,100	67,222	11,878
Capital outlay	47,594	47,594	3,890	43,704
Debt service	475,078	475,078	484,250	(9,172)
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>—</u>
Total expenditures, encumbrances and other uses	<u>1,306,207</u>	<u>1,306,207</u>	<u>1,178,320</u>	<u>127,887</u>
Revenues over (under) expenditures, encumbrances and other uses	(194,604)	(194,604)	156,063	350,667
Fund balance, beginning of year	<u>210,018</u>	<u>210,018</u>	<u>513,252</u>	<u>303,234</u>
Fund balance, end of year	<u>\$ 15,414</u>	<u>\$ 15,414</u>	<u>\$ 669,315</u>	<u>\$ 653,901</u>

CITY OF ANDOVER, KANSAS

RECYCLING/TRASH UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2010

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 37,905	\$ 37,905	\$ 217,627	\$ 179,722
Use of money and property	<u>—</u>	<u>—</u>	<u>6</u>	<u>6</u>
Total revenues	<u>37,905</u>	<u>37,905</u>	<u>217,633</u>	<u>179,728</u>
Expenditures, encumbrances and other uses:				
Personal services	13,909	13,909	—	13,909
Contractual services	5,000	5,000	200,519	(195,519)
Commodities	3,800	3,800	—	3,800
Capital outlay	<u>—</u>	<u>—</u>	<u>1,297</u>	<u>(1,297)</u>
Total expenditures, encumbrances and other uses	<u>22,709</u>	<u>22,709</u>	<u>201,816</u>	<u>(179,107)</u>
Revenues over (under) expenditures, encumbrances and other uses	15,196	15,196	15,817	621
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, end of year	<u>\$ 15,196</u>	<u>\$ 15,196</u>	<u>\$ 15,817</u>	<u>\$ 621</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

AGENCY FUNDS:

Payroll - to account for the payroll withholdings and City contributions held until disbursement.

Municipal Court Bond Deposits - to account for cash bail bond moneys posted by defendants until disposition of their case.

CITY OF ANDOVER, KANSAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS

Year ended December 31, 2010

	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2010</u>
<u>PAYROLL AGENCY FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>1,195</u>	<u>\$1,062,510</u>	<u>\$1,062,332</u>	\$ <u>1,373</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,195</u>	<u>\$1,062,510</u>	<u>\$1,062,332</u>	\$ <u>1,373</u>

MUNICIPAL COURT BOND DEPOSIT FUND

<u>ASSETS</u>				
Cash and short-term investments	\$ <u>5,123</u>	<u>\$ 7,273</u>	<u>\$ 9,078</u>	\$ <u>3,318</u>
<u>LIABILITIES</u>				
Appearance bonds payable	\$ <u>5,123</u>	<u>\$ 7,273</u>	<u>\$ 9,078</u>	\$ <u>3,318</u>

TOTALS – ALL AGENCY FUNDS

<u>ASSETS</u>				
Cash and short-term investments	\$ <u>6,318</u>	<u>\$1,069,783</u>	<u>\$1,071,410</u>	\$ <u>4,691</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,195</u>	<u>\$1,062,510</u>	<u>\$1,062,332</u>	\$ <u>1,373</u>
Appearance bonds payable	<u>5,123</u>	<u>7,273</u>	<u>9,078</u>	<u>3,318</u>
	\$ <u>6,318</u>	<u>\$1,069,783</u>	<u>\$1,071,410</u>	\$ <u>4,691</u>

COMPONENT UNIT

The Andover Public Library is reported as a discretely presented component unit with the financial statements of the City of Andover (the reporting entity) to emphasize its separate legal status. The Andover Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, fines and donations from the public. The following funds are used to account for the operations of the Andover Public Library:

General Fund – all operating activities of the Library Board are accounted for within this fund.

CITY OF ANDOVER, KANSAS
GENERAL FUND BALANCE SHEET – ANDOVER PUBLIC LIBRARY
December 31, 2010

ASSETS

Cash and investments	\$ 190,914
Unconditional promises to give	<u>4,609</u>
	<u>\$ 195,523</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>716</u>
Fund balance:	
Unreserved:	
Designed for capital campaign	4,609
Undesignated	<u>190,198</u>
Total fund balance	<u>194,807</u>
 Total liabilities and fund balance	 <u>\$ 195,523</u>

Reconciliation to total net assets:	
Total fund balance per above	\$ 194,807
Add long-term capital assets	303,671
Less accumulated depreciation on long-term capital assets	<u>(164,203)</u>
Total net assets	<u>\$ 334,275</u>

CITY OF ANDOVER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND – ANDOVER PUBLIC LIBRARY

Year ended December 31, 2010

Revenues:	
Appropriation from City of Andover	\$ 370,300
South Central Kansas Library System grants	
State aid	5,801
Other grants	30,215
Interest earnings	3,609
Fines and fees	13,038
Memorial donations	5,223
Capital campaign donations (net of uncollectible allowance of \$3,541)	4,048
Other charges	<u>2,874</u>
Total revenues	<u>435,108</u>
Expenditures:	
Salaries, wages and payroll taxes	264,397
Purchase of books, periodicals and other media	46,798
Advertising and capital campaign consulting fees	7,024
Postage, supplies and equipment maintenance	15,290
Capital equipment outlays	34,578
Telephone and utilities	21,382
Building maintenance and supplies	37,583
Special programs	6,483
Workshops and training	175
Miscellaneous	<u>11,402</u>
Total expenditures	<u>445,112</u>
Net change in fund balance	(10,004)
Fund balance, beginning of year	<u>204,811</u>
Fund balance, end of year	<u>\$ 194,807</u>
Reconciliation of change in net assets:	
Net change in fund balance per above	\$ (10,004)
Add assets capitalized	12,362
Less current year depreciation on capital assets	<u>(44,597)</u>
Change in net assets	<u>\$ (42,239)</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Andover's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	88
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source.	94
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	98
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	103
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	107

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

City of Andover
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	\$ 918,415	\$ 940,130	\$ 887,123	\$ 974,533	\$ 1,050,874	\$ 1,064,690	\$ 809,915
Public Safety	2,598,584	1,656,509	2,148,561	2,580,055	2,885,107	3,349,588	3,623,780
Highways and street	1,126,068	1,042,226	1,543,927	1,051,319	2,062,097	2,091,853	3,084,834
Health and sanitation	1,460,875	51,387	57,323	219,337	83,213	96,071	107,215
Culture and recreation	706,202	825,855	786,112	899,687	985,226	1,015,734	1,210,123
Economic development	10,309	6,938	67,903	20,632	69,185	67,333	23,974
Environment protection	8,433	10,431	11,673	13,412	13,077	9,995	10,601
Interest on long-term debt	1,367,959	1,295,025	1,541,389	1,599,603	1,859,286	1,590,175	1,602,859
Total governmental activities expenses	<u>8,196,845</u>	<u>5,828,501</u>	<u>7,044,011</u>	<u>7,358,578</u>	<u>9,008,065</u>	<u>9,285,439</u>	<u>10,473,301</u>
Business type activities:							
Water	112,209	116,412	253,712	266,156	168,405	191,202	197,173
Wastewater	1,085,450	1,094,785	1,052,190	1,100,239	1,151,411	1,243,054	1,260,543
Recycle/Trash Utility	-	-	-	-	-	-	234,422
Total business-type activities expenses	<u>1,197,659</u>	<u>1,211,197</u>	<u>1,305,902</u>	<u>1,366,395</u>	<u>1,319,816</u>	<u>1,434,256</u>	<u>1,692,138</u>
Total primary government expenses	<u>\$ 9,394,504</u>	<u>\$ 7,039,698</u>	<u>\$ 8,349,913</u>	<u>\$ 8,724,973</u>	<u>\$ 10,327,881</u>	<u>\$ 10,719,695</u>	<u>\$ 12,165,439</u>
Program Revenues							
Governmental activities:							
Charges for services:							
General Government	237,014	254,890	210,065	285,987	252,497	163,687	397,086
Public Safety	179,969	222,096	238,127	220,553	265,563	281,886	236,339
Highway and streets	184,955	69,875	193,922	225,653	189,213	145,137	151,010
Health and sanitation	-	21,800	-	-	-	-	-
Culture and recreation	347,676	261,636	227,988	314,919	233,101	264,351	286,418
Operating grants and contributions	410,497	311,280	334,967	391,271	323,982	344,869	330,462
Capital grants and contributions	1,612,663	3,134,274	6,267,874	5,476,892	9,705,795	1,999,911	5,721,800
Total governmental activities program revenue	<u>2,972,774</u>	<u>4,275,851</u>	<u>7,472,943</u>	<u>6,915,275</u>	<u>10,970,151</u>	<u>3,199,841</u>	<u>7,123,115</u>
Business-type activities:							
Charges for services:							
Water	92,234	104,630	124,576	105,404	108,528	112,236	113,690
Wastewater	1,193,471	1,132,288	1,215,850	1,274,074	1,275,241	1,215,218	1,205,873
Recycle/Trash Utility	-	-	-	-	-	-	254,149
Capital grants and contributions	457,200	366,410	-	-	-	-	-
Total business-type activities program revenues	<u>1,742,905</u>	<u>1,603,328</u>	<u>1,340,426</u>	<u>1,379,478</u>	<u>1,383,769</u>	<u>1,327,454</u>	<u>1,573,712</u>
Total primary government program revenues	<u>\$ 4,715,679</u>	<u>\$ 5,879,179</u>	<u>\$ 8,813,369</u>	<u>\$ 8,294,753</u>	<u>\$ 12,353,920</u>	<u>\$ 4,527,295</u>	<u>\$ 8,696,827</u>
Net (Expense) Revenue							
Governmental activities	<u>\$ (5,224,071)</u>	<u>\$ (1,552,650)</u>	<u>\$ 428,932</u>	<u>\$ (443,303)</u>	<u>\$ 1,962,086</u>	<u>\$ (6,085,598)</u>	<u>\$ (3,350,186)</u>
Business-type activities	<u>545,246</u>	<u>392,131</u>	<u>34,524</u>	<u>13,083</u>	<u>63,953</u>	<u>(106,802)</u>	<u>(118,426)</u>
Total primary government net expenses	<u>\$ (4,678,825)</u>	<u>\$ (1,160,519)</u>	<u>\$ 463,456</u>	<u>\$ (430,220)</u>	<u>\$ 2,026,039</u>	<u>\$ (6,192,400)</u>	<u>\$ (3,468,612)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 2,677,772	\$ 2,930,964	\$ 3,240,873	\$ 3,586,613	\$ 4,131,474	\$ 4,573,036	\$ 4,927,084
Sales taxes	1,042,169	1,069,248	1,345,340	2,487,160	1,639,405	1,539,327	1,567,061
Franchise taxes	431,334	490,710	514,361	583,179	633,556	615,928	683,013
Other Taxes	8,433	6,938	2,903	22,394	92,085	130,221	76,391
Investment earnings	68,553	207,202	381,260	486,754	254,423	31,811	26,563
Transfers	110,235	210,491	(1,812,410)	(1,747,546)	(2,581,635)	66,346	(1,358,163)
Total governmental activities	<u>4,338,496</u>	<u>4,915,553</u>	<u>3,672,327</u>	<u>5,418,554</u>	<u>4,169,308</u>	<u>6,956,669</u>	<u>5,921,949</u>
Business-type activities							
Investment earnings	35,002	92,256	162,215	209,014	116,061	35,952	14,064
Transfers	(110,235)	(210,491)	1,812,410	1,747,546	2,581,635	(66,346)	1,358,163
Total business-type activities	<u>(75,233)</u>	<u>(118,235)</u>	<u>1,974,625</u>	<u>1,956,560</u>	<u>2,697,696</u>	<u>(30,394)</u>	<u>1,372,227</u>
Total primary government	<u>\$ 4,263,263</u>	<u>\$ 4,797,318</u>	<u>\$ 5,646,952</u>	<u>\$ 7,375,114</u>	<u>\$ 6,867,004</u>	<u>\$ 6,926,275</u>	<u>\$ 7,294,176</u>
Change in Net Assets							
Governmental activities	<u>\$ (885,575)</u>	<u>\$ 3,362,903</u>	<u>\$ 4,101,259</u>	<u>\$ 4,975,251</u>	<u>\$ 6,131,394</u>	<u>\$ 871,071</u>	<u>\$ 2,571,763</u>
Business-type activities	<u>470,013</u>	<u>273,896</u>	<u>2,009,149</u>	<u>1,969,643</u>	<u>2,761,649</u>	<u>(137,196)</u>	<u>1,253,801</u>
Total primary government	<u>\$ (415,562)</u>	<u>\$ 3,636,799</u>	<u>\$ 6,110,408</u>	<u>\$ 6,944,894</u>	<u>\$ 8,893,043</u>	<u>\$ 733,875</u>	<u>\$ 3,825,564</u>

City of Andover
Program Revenues by Function/Program
Last Seven Fiscal Years

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Function/Program							
Governmental Activities:							
General government	\$ 337,610	\$ 256,015	\$ 210,065	\$ 365,466	\$ 264,497	\$ 182,883	\$ 400,513
Public Safety	459,453	552,394	633,326	583,581	656,880	604,940	271,508
Highways and streets	348,353	69,875	788,364	352,901	896,049	810,966	1,308,709
Health and sanitation	---	21,800	259,222	50,739	---	---	---
Culture and recreation	378,093	261,636	1,559,321	487,657	738,441	291,976	286,418
Environmental protection	---	---	---	---	---	---	---
Economic development	---	---	---	---	---	---	---
Interest on long term debt	1,406,334	3,084,311	4,022,645	5,074,931	8,414,284	1,309,076	4,855,967
Subtotal governmental activities	<u>2,929,843</u>	<u>4,246,031</u>	<u>7,472,943</u>	<u>6,915,275</u>	<u>10,970,151</u>	<u>3,199,841</u>	<u>7,123,115</u>
Business-type activities							
Water	300,634	298,180	124,576	105,404	108,528	112,236	113,690
Wastewater	1,442,271	1,305,148	1,215,850	1,274,074	1,275,241	1,215,218	1,205,873
Recycling/Trash Utility	---	---	---	---	---	---	254,149
Subtotal business-type activities	<u>1,742,905</u>	<u>1,603,328</u>	<u>1,340,426</u>	<u>1,379,478</u>	<u>1,383,769</u>	<u>1,327,454</u>	<u>1,573,712</u>
Total primary government	\$ 4,672,748	\$ 5,849,359	\$ 8,813,369	\$ 8,294,753	\$12,353,920	\$ 4,527,295	\$ 8,696,827

City of Andover
Tax Revenues by Source, Governmental Funds
Last Seven Fiscal Years

Fiscal Year	Property	Sales	Franchise	Other	Total
2004	\$ 2,677,772	\$ 1,042,169	\$ 431,334	\$ 8,433	\$ 4,159,708
2005	2,930,964	1,069,248	490,710	6,938	4,497,860
2006	3,240,873	1,345,340	514,361	2,903	5,103,477
2007	3,586,613	2,487,160	583,179	22,394	6,679,346
2008	4,131,474	1,639,405	633,556	92,085	6,496,520
2009	4,573,036	1,539,327	615,928	130,221	6,858,512
2010	4,927,084	1,567,061	683,013	76,391	7,253,549
Change 2004-2010	84.0%	50.4%	58.3%	805.9%	74.4%

**City of Andover
Fund Balances
Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 48,898	\$ 33,438	\$ 41,412	\$ 30,832	\$ 19,364	\$ 27,383	\$ 166,847	\$ 167,325	\$ 90,130	\$ 78,039
Unreserved	680,679	606,044	674,441	936,015	1,141,843	1,535,623	1,825,409	2,194,699	1,842,643	1,840,011
Total General Fund	<u>\$ 729,577</u>	<u>\$ 639,482</u>	<u>\$ 715,853</u>	<u>\$ 966,847</u>	<u>\$ 1,161,207</u>	<u>\$ 1,563,006</u>	<u>\$ 1,992,256</u>	<u>\$ 2,362,024</u>	<u>\$ 1,932,773</u>	<u>\$ 1,918,050</u>
All Other Governmental Funds										
Reserved	\$ 784,920	\$ 2,358,602	\$ 1,658,046	\$ 1,995,089	\$ 1,635,443	\$ 1,167,324	\$ 4,465,591	\$ 1,809,311	\$ 5,679,912	\$ 2,459,314
Unreserved, Reported In:										
Special revenue funds	1,973,314	2,354,040	2,751,070	2,548,084	2,853,788	2,536,801	3,819,032	3,239,665	4,222,157	4,424,197
Capital projects funds	(4,617,053)	(6,011,547)	(4,827,889)	(5,469,998)	(10,224,624)	(9,009,906)	(12,407,143)	(9,557,490)	(17,376,276)	(10,126,128)
Debt service funds	857,059	794,015	866,006	1,044,210	885,845	855,836	1,026,816	943,582	656,850	1,029,435
Total all other governmental funds	<u>\$ (1,001,760)</u>	<u>\$ (504,890)</u>	<u>\$ 447,233</u>	<u>\$ 117,385</u>	<u>\$ (4,849,548)</u>	<u>\$ (4,449,945)</u>	<u>\$ (3,095,704)</u>	<u>\$ (3,564,932)</u>	<u>\$ (6,817,357)</u>	<u>\$ (2,213,182)</u>

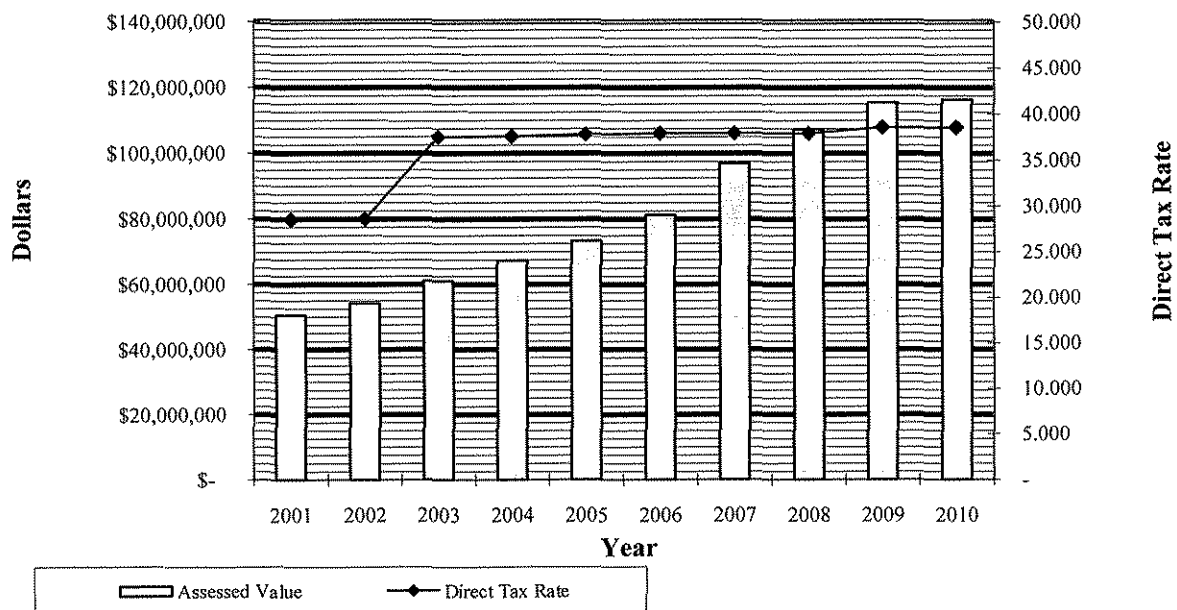
City of Andover
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 2,562,025	\$ 2,791,543	\$ 3,664,734	\$ 4,197,402	\$ 4,544,475	\$ 5,160,771	\$ 6,173,551	\$ 5,914,419	\$ 6,292,335	\$ 6,611,832
Licenses and permits	396,739	565,782	515,599	674,506	569,759	558,202	1,288,837	1,208,174	1,003,377	1,069,365
Fines, forfeiture and other	119,876	133,206	129,930	139,900	172,771	169,395	174,673	213,502	230,394	195,043
Charges for service	5,809	2,367	2,778	6,205	5,638	82,666	85,376	93,670	96,376	335,330
Special assessments	1,699,825	1,883,673	2,301,940	2,250,961	2,269,276	4,079,705	2,702,071	3,406,561	3,556,849	4,468,964
Intergovernmental	403,521	760,842	592,310	594,588	359,118	1,009,865	587,955	703,639	956,999	708,740
Investment earnings	168,085	65,782	66,413	68,553	207,202	381,017	557,092	254,423	50,859	62,497
Other revenues	33,726	53,996	90,736	69,840	15,839	3,545	6,450	212,147	95,786	54,633
Total revenues	5,389,606	6,257,191	7,364,440	8,001,955	8,144,078	11,445,166	11,576,005	12,006,535	12,282,975	13,506,404
Expenditures										
General government	900,984	962,676	1,261,007	836,521	769,114	885,654	968,001	1,059,531	798,555	786,501
Public Safety	763,703	857,692	1,617,584	1,914,899	1,825,626	2,068,579	2,699,770	2,674,912	3,138,988	3,329,243
Highways and streets	1,370,342	674,114	1,087,422	1,513,900	1,713,338	2,303,060	1,227,505	2,460,374	2,229,491	2,053,746
Health and sanitation	---	---	---	48,903	51,387	65,248	82,805	82,196	96,071	106,043
Culture and recreation	401,625	385,021	385,305	592,023	809,552	697,807	753,049	913,568	1,165,620	1,030,539
Environmental protection	4,824	37,348	7,530	10,309	10,431	11,673	12,753	13,077	9,995	10,601
Economic development	---	---	---	8,433	6,938	2,903	20,632	69,185	67,333	22,178
Capital improvements	2,965,287	3,119,302	3,076,064	4,938,158	5,718,469	4,614,470	5,717,674	8,977,921	3,769,137	8,325,641
Debt Service										
Interest	1,236,867	1,218,465	1,256,339	1,264,901	1,368,175	1,591,814	1,512,799	1,513,207	1,849,905	3,419,695
Principal	1,024,403	1,320,789	1,575,826	1,897,787	2,109,955	2,200,052	2,238,153	2,415,228	2,437,347	1,557,935
Total expenditures	8,668,035	8,575,407	10,267,077	13,025,834	14,382,985	14,441,260	15,233,141	20,179,199	15,562,442	20,642,122
Excess of revenues over (under) expenditures	(3,278,429)	(2,318,216)	(2,902,637)	(5,023,879)	(6,238,907)	(2,996,094)	(3,657,136)	(8,172,664)	(3,279,467)	(7,135,718)
Other financing sources (uses)										
Issuance of general obligation bonds	4,788,620	2,830,900	2,839,000	1,581,227	1,168,720	3,132,378	4,824,000	7,583,000	10,842,000	6,876,000
Proceeds from refunding	---	---	---	2,548,000	---	---	---	---	---	---
Issuance of Andover Public Building Commission revenue bonds/certificates of participation	635,000	---	870,000	2,688,000	60,000	57,000	---	---	---	4,350,000
Issuance of certificates of participation	---	---	---	---	---	178,000	502,443	---	---	79,000
Issuance of capital lease obligations	42,090	40,194	260,359	50,490	27,123	---	---	129,998	62,999	---
Payment to escrow agent	---	---	---	(2,209,443)	---	---	---	---	(11,373,554)	---
Transfers in	872,282	614,341	841,922	652,159	1,081,688	1,417,277	1,326,929	1,435,137	736,842	2,060,490
Transfers out	(976,338)	(760,444)	(880,150)	(541,924)	(871,197)	(987,159)	(1,212,745)	(1,174,379)	(670,496)	(1,640,320)
Total other financing sources (uses)	5,361,654	2,724,991	3,931,131	4,768,509	1,466,334	3,797,496	5,440,627	7,973,756	(402,209)	11,725,170
Net change in fund balances	\$ 2,083,225	\$ 406,775	\$ 1,028,494	\$ (255,370)	\$ (4,772,573)	\$ 801,402	\$ 1,783,491	\$ (198,908)	\$ (3,681,676)	\$ 4,589,452
Debt service as a percentage of non capital expenditures										
	39.7%	46.5%	39.4%	36.0%	53.6%	37.9%	38.5%	42.8%	44.5%	38.6%

**CITY OF ANDOVER
ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2001	\$ 43,513,081	\$ 7,039,427	\$ 50,552,508	\$28.515	\$ 401,839,374	12.58%
2002	47,097,945	7,080,473	54,178,418	28.579	433,148,924	12.51%
2003	52,855,248	8,203,165	61,058,413	37.518	486,954,735	12.54%
2004	59,099,833	8,207,905	67,307,738	37.559	541,271,274	12.44%
2005	64,940,378	8,417,474	73,357,852	37.778	592,757,186	12.38%
2006	73,079,987	8,254,548	81,334,535	37.907	662,993,308	12.27%
2007	90,698,192	6,241,506	96,939,698	37.897	809,484,950	11.98%
2008	100,180,581	7,148,767	107,329,348	37.910	894,964,710	11.99%
2009	108,975,904	6,463,119	115,439,023	38.543	969,160,287	11.91%
2010	110,442,796	5,970,589	116,413,385	38.555	980,274,102	11.88%

**Assessed Valuation / Direct Tax Rate
Comparison 2001 - 2010**



Beginning in 2003 the direct tax rate includes the fire department which previously had been a county function

City of Andover
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates						Overlapping Rates				
	Basic Rate	Special Public Building Fund	Bond & Interest	Library	Employee Benefits	Total Direct	Andover School District USD #385	Butler County	Butler County Junior College	State of Kansas	* Fire District #1
2001	18.381	0.369	1.729	2.992	5.044	28.515	67.310	35.970	15.133	1.500	8.325
2002	16.613	0.472	0.525	3.008	7.961	28.579	66.057	35.701	16.088	1.500	8.069
2003	23.829	0.761	1.275	3.000	8.653	37.518	62.997	35.700	16.907	1.500	-
2004	23.458	1.764	0.007	3.004	9.326	37.559	59.970	35.481	16.802	1.500	-
2005	24.978	1.489	0.079	3.017	8.215	37.778	58.173	35.932	17.478	1.500	-
2006	23.187	1.554	2.238	3.011	7.917	37.907	58.525	35.723	17.363	1.500	-
2007	23.365	2.794	1.356	3.002	7.380	37.897	59.501	35.440	17.225	1.500	-
2008	23.125	1.808	1.561	3.001	8.415	37.910	62.325	36.434	18.195	1.500	-
2009	21.860	1.965	2.511	3.051	9.156	38.543	63.352	36.522	18.194	1.500	-
2010	22.248	1.806	1.022	3.001	10.478	38.555	67.126	35.822	18.002	1.500	-

* Beginning in 2003 Fire District levy is included in the City levy

Source: Butler County Clerk

City of Andover
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Kansas Medical Center LLC	\$ 3,447,925	1	2.960 %	\$ ---		---
Dillons Companies Inc.	1,832,465	2	1.570			
Flint Hills National Golf Club	1,485,350	3	1.280	---		---
Vornado Air LLC	1,353,475	4	1.160	---		---
Kansas Gas & Electric	1,282,015	5	1.100	786,402	3	1.766
Southwestern Bell Telephone	909,882	6	0.780	1,607,669	1	3.189
Terradyne Country Club LLC	791,673	7	0.680	692,962	4	1.374
Kansas Gas Service	723,033	8	0.620	---		---
Sherwin Williams Co	681,839	9	5.860	403,772	8	0.801
Andover State Bank	577,701	10	4.960	483,249	6	0.959
Dillons Real Estate Co. Inc	---		---	1,192,626	2	2.366
Andover LLC	---		---	498,901	5	0.990
Nationwide Health *	---		---	442,763	7	0.878
Andover Housing Assoc.	---		---	325,944	9	0.646
Ratheon Aircraft *	---		---	319,690	10	0.634

* This industry has Industrial Revenue Bond Issues with Tax Abatement; therefore,
the assessed value does not reflect the buildings or equipment purchased with IRB Revenue.

Source: Butler County Clerk

City of Andover
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec. 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 1,273,010	\$ 1,204,614	94.63%	\$ 29,708	\$ 1,234,322	96.96%
2002	1,441,505	1,330,826	92.32%	100,585	1,431,411	99.30%
2003	1,548,365	1,484,152	95.85%	55,817	1,539,969	99.46%
2004	2,290,790	2,209,461	96.45%	77,084	2,286,545	99.81%
2005	2,528,011	2,417,959	95.65%	68,165	2,486,124	98.34%
2006	2,771,313	2,684,886	96.88%	80,585	2,765,471	99.79%
2007	3,083,148	2,981,703	96.71%	94,663	3,076,366	99.78%
2008	3,673,724	3,415,510	92.97%	223,362	3,638,873	99.05%
2009	4,068,856	3,765,373	92.54%	290,003	4,055,375	99.67%
2010	4,449,366	4,094,807	92.03%	-	4,094,807	92.03%

* County Treasurer's records do not provide a determination of which year the collections in subsequent years is applied to. For this schedule all collections of delinquent taxes are applied to the preceding year.

Source: Butler County Clerk

City of Andover
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-type Activities				
	General Obligation Bonds	Public Building Commission Revenue Bonds	Public Building Commission Certificate of Participation	City of Andover Certificate of Participation	Temporary Notes	Capital Lease Obligations	Wastewater Revenue Bonds	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income *	Per Capita
2001	\$20,367,620	\$ 775,000	\$ -	\$ -	\$ 2,515,000	\$ 41,052	\$ 3,555,000	\$ -	\$ 27,253,672		\$ 4,069
2002	21,938,900	755,000	-	-	2,695,000	40,077	3,485,000	-	28,913,977		4,022
2003	23,266,000	1,595,000	-	-	2,340,000	370,693	3,400,000	-	30,971,693		3,996
2004	23,524,227	4,233,000	-	-	3,970,000	324,396	3,300,000	-	35,351,623		4,110
2005	22,839,947	4,085,000	60,000	-	6,428,000	232,564	3,320,000	-	36,965,511		4,297
2006	24,112,378	4,047,000	50,000	120,000	9,022,000	166,653	3,295,000	-	40,813,031		4,478
2007	26,915,878	3,941,000	40,000	60,000	5,609,000	627,443	3,090,000	-	40,283,321		4,220
2008	32,428,000	3,823,000	30,000	-	-	700,539	2,865,000	16,876	39,863,415		4,027
2009	30,054,000	3,695,000	15,000	-	6,607,000	575,191	2,615,000	6,313	43,567,504		4,209
2010	33,884,000	7,902,000	-	79,000	9,513,000	359,496	2,025,000		53,762,496		4,560

* Personal income numbers, only calculated in census years, are currently unavailable from the 2010 census

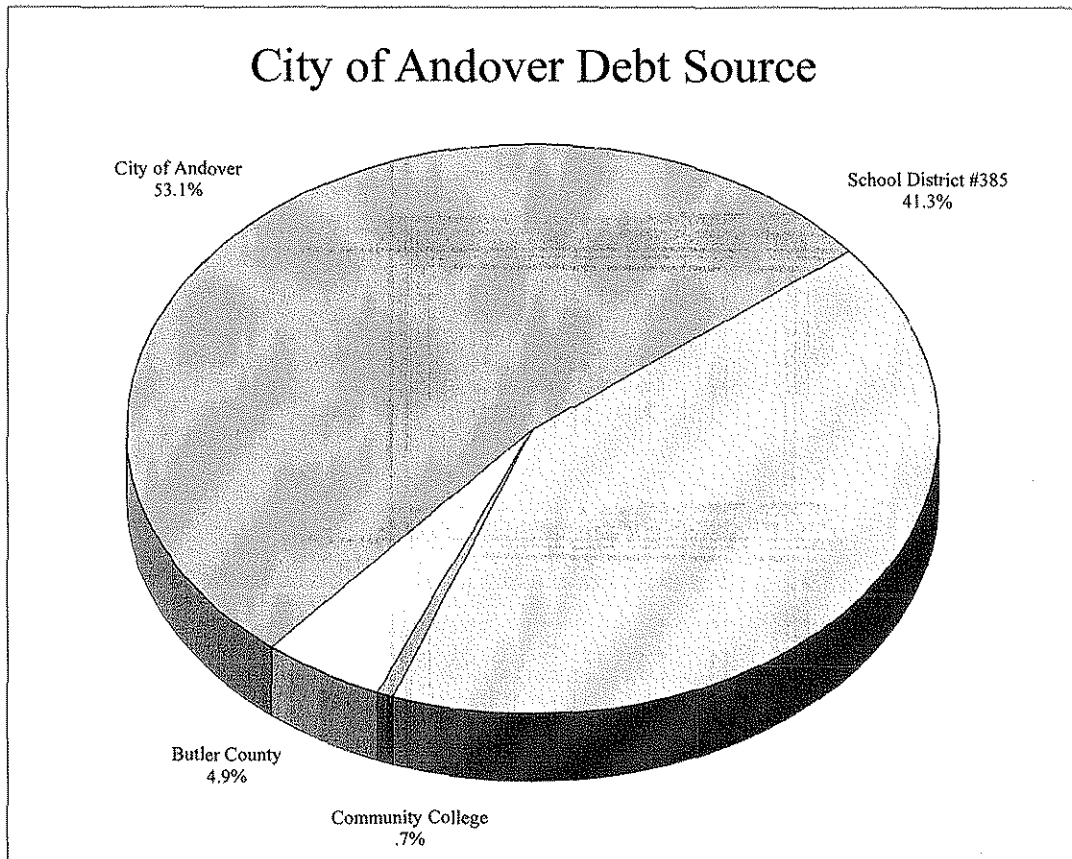
City of Andover
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Less Debt Service Funds	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
	General Obligation Bonds	Temporary Notes	Total				
2001	\$ 20,367,620	\$ 2,515,000	\$ 22,882,620	\$ 857,059	\$22,025,561	45.27	\$ 3,288
2002	21,938,900	2,695,000	24,633,900	794,015	23,839,885	45.47	3,316
2003	23,266,000	2,340,000	25,606,000	866,006	24,739,994	41.94	3,192
2004	23,524,227	3,970,000	27,494,227	1,044,210	26,450,017	40.85	3,217
2005	22,839,947	6,428,000	29,267,947	885,845	28,382,102	39.90	3,299
2006	24,112,378	9,022,000	33,134,378	855,836	32,278,542	40.74	3,542
2007	26,915,878	5,609,000	32,524,878	1,026,816	31,498,062	27.95	3,300
2008	32,428,000	-	32,428,000	943,582	31,484,418	30.21	3,181
2009	30,054,000	6,607,000	36,661,000	656,850	36,004,150	31.76	3,478
2010	33,884,000	9,513,000	43,397,000	1,029,435	42,367,565	37.28	3,593

CITY OF ANDOVER
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Andover</u>	<u>City of Andover Share of Debt</u>
Local School District #385	\$ 92,029,685	43.403% *	\$ 39,943,644
Butler Community College	3,345,000	19.268% **	644,515
Butler County	24,517,606	19.268% **	<u>4,724,052</u>
Subtotal overlapping debt			45,312,211
City direct debt	51,299,000		<u>51,299,000</u>
Total Direct and overlapping debt			<u>\$ 96,611,211</u>



* Based upon percentage of school district valuation that is in the City limits of Andover.

** Based upon Andover's valuation as a percentage of Butler County's valuation.

**City of Andover
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 17,637,671	\$ 18,997,630	\$ 21,379,884	\$ 23,489,107	\$ 25,626,093	\$ 28,261,391	\$ 33,720,227	\$ 36,602,315	\$ 39,130,934
Total net debt applicable to limit	<u>6,744,710</u>	<u>7,207,188</u>	<u>7,679,244</u>	<u>7,406,798</u>	<u>7,867,706</u>	<u>9,446,938</u>	<u>8,903,626</u>	<u>7,975,634</u>	<u>9,956,124</u>
Legal debt margin	\$ 10,892,961	\$ 11,790,442	\$ 13,700,640	\$ 16,082,309	\$ 17,758,387	\$ 18,814,453	\$ 24,816,601	\$ 28,626,681	\$ 29,174,810
Total net debt applicable to the limit as a percentage of debt limit	38.24%	37.94%	35.92%	31.53%	30.70%	33.43%	26.40%	21.79%	25.44%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value
Debt limit (30% of assessed value)
Debt applicable to limit:
 General Obligation Bonds
 Temporary Notes
Less: Amount exempted by
 state statute
Total net debt applicable to limit
Legal debt margin

* Includes motor vehicles assessed value

** Exempted Debt
K.S.A. 12-624 - Sewer Mains 1,635,705
K.S.A. 10-309 - Wastewater & Water 12,399,320
K.S.A. 10-309 - Stormwater 16,586,655
K.S.A. 10-309 - Intersections 468,577
Total 2010 exempted debt 31,090,257

**CITY OF ANDOVER
PLEDGED REVENUE COVERAGE - WASTEWATER REVENUE BOND
LAST TEN FISCAL YEARS**

<i>Year</i>	<i>Gross Revenue *</i>	<i>Less Operating Expense **</i>	<i>Net Revenue Available Revenue</i>	<i>Debt Service</i>		<i>Total</i>	<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>		
2001	\$ 906,068	\$459,261	\$ 446,807	\$ 55,000	\$192,215	\$247,215	1.81
2002	998,701	462,692	536,009	70,000	189,685	259,685	2.06
2003	992,277	490,161	502,116	85,000	186,395	271,395	1.85
2004	1,225,082	547,968	677,114	100,000	182,315	282,315	2.40
2005	1,215,645	592,291	623,354	120,000	177,465	297,465	2.10
2006	1,463,530	593,081	870,449	25,000	108,138	133,138	6.54
2007	1,473,635	595,476	878,159	205,000	122,445	327,445	2.68
2008	1,385,440	616,094	769,346	225,000	115,988	340,988	2.26
2009	1,250,360	697,942	552,418	250,000	108,563	358,563	1.54
2010	1,219,500	715,280	504,220	250,000	5,544	255,544	1.97

* Total revenue includes interest but excludes all contributions from municipality

** Total operating expenses exclusive of depreciation

**City of Andover
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	(1) Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age (Years)	Percent With High School or Higher Education	(2) School Enrollment	(3) Unemployment Rate	Median Home Value
2001	6698					3,111	3.50%	
2002	7,189					3,159	5.10%	
2003	7,750					3,364	5.40%	
2004	8,222					3,643	5.70%	
2005	8,602					3,791	5.60%	
2006	9,114					4,203	4.00%	
2007	9,546					4,255	3.60%	
2008	9,898					4,755	4.80%	
2009	10,351					4,844	6.90%	
2010 *	11,791					4,776	6.80%	

* Federal Census data for 2010 unavailable at this time.

Currently there are no local, state or federal agencies that compile annual statistical information related to income, age, education or home values.

Sources:

- (1) Kansas Division of the Budget
- (2) Andover School (USD #385) Superintendent
- (3) Kansas Department of Labor

**City of Andover
Principal Employers
Current Year and Nine Years Ago**

	<u>2010</u>		<u>2001</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
USD 385	450	1	375	1
Kansas Medical Center	183	2		
Sherwin-Williams Co.	141	3	145	3
Life Care Center of Andover	132	4	148	2
Dillons Real Estate Co. Inc	125	5	130	4
City of Andover	84	6	43	10
Vornado	66	7	85	7
International Cold Storage	41	8	98	6
Victoria Falls	38	9		
Andover State Bank	22	10		
Andover LLC			105	5
Kansas Golf Ventures			47	9
Raytheon Aircraft			50	8
Total	1,282		1,226	

Total City of Andover employment is not tracked at the local or state level.
Employment amounts were obtained by direct solicitation of local businesses.

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2010

<u>Trustee</u>	<u>Bonds</u>	<u>Outstanding</u>
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series 2008	\$ 6,183,503
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 5,450,000
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 1,400,000
Commerce Bank Kansas City, Missouri	YMCA Series 2007	\$ 11,500,000
Equity Bank	Hotel at the River, LLC Series 2007	\$ 4,289,944
		<u>\$ 28,823,447</u>

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2010
Continued

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment Year</i>	<i>Total Amount Issued</i>	<i>Outstanding Issues 01/01/10</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding 12/31/10</i>
Andover Senior Care, L.L.C.	9/11/2008	*	2008	38,719	\$ 6,305,998	\$ -	\$ 122,495	\$ 6,183,503
			2009	115,283				
			2010	122,495				
* Adjusted rate - Prime + 1%, but never less than 6%			2011	130,158				
			2012	137,248				
			2013	146,887				
			2014	156,076				
			2015	165,840				
			2016	175,269				
			2017	187,179				
			2018	5,084,848				
Andover Senior Care, L.L.C. Series A 2009	9/1/2009	*	2011	86,473	\$ 5,450,000	\$ -	\$ -	\$ 5,450,000
			2012	270,015				
			2013	286,667				
* Adjusted rate - Prime + 1%, but never less than 6%			2014	304,348				
			2015	323,121				
			2016	260,890				
			2017	107,662				
			2018	114,303				
			2019	3,696,521				
Andover Senior Care, L.L.C. Series B 2009	9/1/2009	9.00%	2019	1,400,000	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000
YMCA	11/13/2007	4.11%	2008	2,875,000	\$ 17,250,000	\$ -	\$ 5,750,000	\$ 11,500,000
		4.11%	2009	2,875,000				
		4.11%	2010	5,750,000				
		4.11%	2011	5,750,000				
		4.11%	2012	5,750,000				
Hotel at the River	12/20/2007	7.64%	2008	79,798	\$ 4,406,398	\$ -	\$ 116,454	\$ 4,289,944
		7.64%	2009	107,804				
		7.64%	2010	116,454				
		7.64%	2011	125,797				
		7.64%	2012	134,960				
		7.64%	2013	146,719				
		7.64%	2014	158,490				
		7.64%	2015	171,207				
		7.64%	2016	184,152				
		7.64%	2017	199,719				
		7.64%	2018	3,164,901				
				-	-	-	-	-
Total Industrial Revenue Bonds				<u>\$ 40,900,000</u>	<u>\$ 34,812,396</u>	<u>\$ -</u>	<u>\$ 5,988,949</u>	<u>\$ 28,823,447</u>

City of Andover
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Full-time Equivalent Employees as of December 31									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	10	10	10	10	10	11	11	11	11	11
Public safety										
Police	15	14	13	17	15	17	17	20	21	21
Fire *	-	-	11	12	13	13	13	14	14	14
Fire Reservist *	-	-	13	12	11	12	15	13	12	11
Civilians	5	5	5	6	6	5	6	6	7	7
Streets and highways	5	6	6	6	6	7	7	7	7	7
Culture and recreation	5	5	5	5	6	6	6	6	6	7
Stormwater **	-	-	-	-	-	1	1	1	1	1
Wastewater	4	5	5	5	5	5	5	5	5	5
Total	44	45	68	73	72	77	81	83	84	84

* Prior to 2003 the fire personnel were employeeed by the county.

** In 2006 a stormwater utility operator was hired to comply with a federally mandated program.

Source: City of Andover Human Resources

City of Andover
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police										
Arrests	229	366	291	229	241	217	395	519	421	350
Accidents	235	264	213	239	283	267	269	309	333	354
Citations (including parking)	1,812	2,128	2,360	2,256	2,756	2,056	1,713	2,237	2,702	2,737
Calls for service	5,235	5,533	5,108	4,997	4,711	10,858	14,863	15,488	15,021	15,723
Fire										
Structure fires	22	23	25	11	25	26	21	70	11	22
Other fires	81	100	43	42	86	83	47	43	74	53
Medical calls	350	404	333	231	394	405	775	862	819	801
Other calls	239	239	161	105	405	321	282	377	327	366
Inspections	-	-	175	234	125	137	176	250	362	410
Training hours	-	-	-	-	4,767	3,907	3,428	2,886	3,652	4,098
Streets and highways										
Streets sealed (square yards)	52,870	60,805	87,992	90,633	73,905	104,956	64,588	110,313	122,141	89,074
Water										
Public water service connections	2,544	2,769	2,897	3,279	3,495	3,597	3,731	3,950	4,023	4,051
GPD average consumption	609,409	898,112	726,162	891,627	781,420	842,351	1,066,129	1,046,750	1,053,828	1,062,240
Wastewater										
Service Connections	3,609	3,743	3,863	3,991	4,156	4,521	4,690	4,829	4,879	4,988
Average Daily Flow (thousands of gallons)	700	720	770	840	840	816	937	921	882	772

Source: Various City of Andover departments

City of Andover
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Function/Program</u>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	9		11	13	14	15	18	18	17	18
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Nonstaffed substations	-	-	-	-	2	2	2	2	2	2
Streets and highways										
Miles of paved streets	41	43	45	46	49	52	54	55	58	61
Miles of unpaved streets	12	12	12	12	12	12	12	12	14	13
Traffic Signals	5	5	5	5	5	5	5	6	6	7
Parks & Recreation										
Neighborhood parks	3	3	3	3	3	3	3	3	3	3
56 Acre recreation complex:										
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer fields	2	2	2	2	2	2	2	1	1	1
Playground areas	2	2	2	3	3	3	3	2	2	2
Tennis/basketball courts	3	3	3	3	3	3	3	3	3	3
Picnic Shelters	2	2	2	2	2	2	2	2	2	2
9 hole golf course	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
80 Acre Passive Recreation Park:										
Fishing Lake	1	1	1	1	1	1	1	1	1	1
Playground areas									1	1
Picnic Shelters							2	2	2	2
Handicap accessible paved walking path								1	1	1
Conference Cabin	1	1	1	1	1	1	1	1	1	1
Scout Lodge								1	1	1
Lodge	1	1	1	1	1	1	1	1	1	1
Gazebo					1	1	1	1	1	1
Community 5 acre park										
Playground areas										1
Picnic Shelters										1
Water *										
Fire hydrants	358	374	395	458	502	527	543	549	578	587
Miles of water lines	48	49	53	56	60	64	66	67	70	71
Wastewater										
Treatment Capacity (thousands of gallons)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Miles of sewer lines	62	62	64	65	80	82	83	84	88	90

* Water service is provided by the City of Wichita, but the lines and hydrants are owned and maintained by the City of Andover.

Source: Various City of Andover departments

CITY OF ANDOVER
SCHEDULE OF FRINGE BENEFIT COST
Year ended December 31, 2010

Direct Expense Items:

Health/Dental Insurance		\$ 658,717
Social Security		255,751
Worker's Compensation		71,740
Unemployment Insurance		30,010
Retirement		338,931
New Hire Physicals		3,289
		<u>\$ 1,358,437</u>

Indirect Expense Items (time off with pay):

Vacation	5,197 Hours	\$ 109,885
Sick Leave	2,840 Hours	49,351
Holiday	5,768 Hours	109,601
	<u>13,805 Hours</u>	<u>\$ 268,837</u>

Total Payroll \$ 3,318,524

Total Hours Worked 158,153

Total Hours Paid 174,048

Cost of Direct Expense Items \$ 1,358,437

Cost of Indirect Expense Items 268,837

Total Cost of Fringe Benefits \$ 1,627,274

Cost Per Hour Worked \$ 10.29

Cost as Percent of Payroll 49.04%

**CITY OF ANDOVER
SICK LEAVE AND VACATION USAGE**

	<u>Vacation</u>	<u>Sick Leave</u>
Balance 1/1/10	7,890	21,091
Value of Accumulated Days	\$ 160,425	\$ 445,624
Hours Accumulated During Year	6,464	6,916
Hours Used During Year	5,197	2,890
Hours Lost Due to Termination		1,301
Paid Hours Over 480 Hours		636
Lost Hours Over 480 Hours		891
Hours Balance 12/31/10	9,157	22,290
Value of Accumulated Days 12/31/10	\$ 183,724	\$ 474,429

Note: Permanent full-time employees accumulate vacation time as follows:

- One week of vacation upon their first anniversary date;
- Two weeks upon their second anniversary date;
- Two weeks and two days upon their sixth anniversary date;
- Three weeks upon their eleventh anniversary date;
- Four weeks upon their sixteenth anniversary date;
- Four weeks and 2 days upon their twenty-first anniversary date; and
- Five weeks upon their twenty-sixth anniversary date of employment or rehire.

Accumulation of vacation cannot exceed 150% of amount available to the employee.

Full-time employees accumulate sick leave at the rate of one day per month worked.

Sick leave can only be used in the event of illness, except in the case of a death in the employee's immediate family. The employee may take three days off, that will be chargeable to sick leave, in addition to the three days of funeral leave. At termination, any sick leave balance is canceled. Accumulation cannot exceed 12 weeks/480 hours.

After the maximum hours of 480 is reached, the employee, based on their hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st.